FEDERAL MILK COMMISSION FOR THE MIDDLE STATES

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MEETING OF THE FEDERAL MILK COMMISSION FOR THE MIDDLE STATES, held in the Committee Room of the Aldermanic Chamber of the City Hall, at New York City, on Friday, December 21st, 1917, 10:48 o'clock A. M.

There were present:

W. H. JORDAN, Chairman,
S. C. SHEDRICK,
MABEL HYDE KITTREDGE,
EUGENE SCHOEN,
BRADLEY FULLER,
LUCIUS BROWN,
FRANK W. STEVENS, Counsel,
FRANK E. PERLEY, Secretary.

APPEARANCES:

MR. ALGER, Counsel for Distributors.
MR. BAIRD, Counsel for Consumers.
MR. MILLER, Counsel for Producers.

The Chairman called the meeting to order at 10: 48 A. M.

MR. STEVENS: Mr. Chairman, before we proceed to other business this morning, I think that I ought to ask the commission to take into consideration the programme of its future operations. You are required by the warrant of authority conferring your power to act, to make your final report January 1st -- on or before, I believe, January 1st, a week from next Tuesday. Today is Friday, and of course we have the Christmas holidays coming, which will necessarily suspend operations after today until next Wednesday. The mass of evidence, in the form of tables and oral evidence, is very great, and in many vrespects it is very

respects it is very conflicting; that is, it affords an opportunity for two individuals to draw very different conclusions from the evidence -- such variations as are always encountered in investigating costs. There is nothing unusual about it and that will necessarily require some time for the commission to think about it more closely as a whole than there has been opportunity for as yet. Your warrant of authority, I believe, also requires that there should be an opportunity for summing up by interested parties; and I would like to ask these gentlemen here -- Mr. Miller, do you desire to be heard in summing this up?

MR. MILLER: Why, briefly; I think there are some points which can be explained orally, which could not be explained in a brief.

MR. STEVENS: Undoubtedly. We would be glad to have you do that. Mr. Alger, do you desire to be heard orally?

MR. ALGER: I presume so. I have not been far enough along to decide.

MR. STEVENS: Do you care to be heard, Mr. Baird?

MR. BAIRD: Briefly.

MR. STEVENS: I assumed so, but I wanted to know the fact. It seems these gentlemen and perhaps others will care to be heard; and so I suggest for your consideration whether it would not be wise to start out this morning with the assumption that all oral evidence must be given today. And then I have

called for some statistical returns which will be furnished next Wednesday morning, and everything ready, and that the summing up take place on Wednesday afternoon next, and that will give the commission a very long time, before a week from Monday, in which to really study the case carefully and get far enough away from the details so that they can look at them in assembled form.

THE CHAIRMAN: The Chairman is in entire sympathy with the statements Mr. Stevens has made, and I trust no member of the commission will differ from him in their views of the case. I think that will be true.

MR. ALGER: Do I understand, Mr. Stevens, by oral evidence, that you mean testimony of witnesses as to the practical method of conducting the retail business, or the statistical material which we accumulated to put in?

MR. STEVENS: Why, the statistical material, any and all statistical material, can be presented next Wednesday forenoon, that has not already been presented; but I mean calling witnesses and asking them -- proceeding by question and answer.

MR. ALGER: If it is agreeable to the commission, I think that is a good way of going at it; that is, we will finish up on the testimony of the practical men such inquiries you have of a practical character addressed to those men of long experience in the milk business. We will get that today. Statistical matters, which, if we took that in its

course now, probably would take all day and would take all day tomorrow, if Mr. Stevens started in examining in detail orally before us these statistical matters, it probably would take a good deal more of the time of the commission than you would care to spend on this if you can get a better picture of the operations of the business from the practical men. Now, the statistical matter we can put in, as Mr. Stevens suggests, before Wednesday, in clearer form, and the practical men, we can finish up with today. Will that be a satisfactory way of doing it?

MR. STEVENS: Yes.

MR. BAIRD: When that statistical information is in your hands, Mr. Stevens, are you going to have any opportunity to cross-examine any of the witnesses as to the merits of the information that is given to you?

MR. STEVENS: Why, that is, not an adequate opportunity. We have got to assume, as is always assumed on such occasions, such investigations, from the Interstate Commerce Commission down, that when a table of figures is presented that it has been correctly compiled, barring any clerical errors which may always occur, from the books of the company. I must say very frankly that there is not and has not been adequate opportunity, in point of time, to carefully check up the tables which have been presented by the distributors in this city as I would like to have it [illegible] the best we could, and I

propose to have them checked in one way and another to the best ability of trained accountants next week, by examination; and personally, I have been giving my evenings to checking over some figures to see how they looked, recombining them, as it were, as a test. I never found it advisable to rely upon any tabulation made by my own forces, until it had been checked, because errors and mistakes will occur; and I am frank to say that it is very probable that in the figures that have been submitted here there will be certain errors which close checking by an accountant will show; and probably they will not amount to enough to make any substantial difference in the results.

Now, that is the plain English of tabulations, as I have found it in my experience. We shall do the best we can, Mr. Baird; but I want to say now that it is not and can't be made such in the limits given here; that is, satisfactory to me.

MR. ALGER: So far as the distributors are concerned as the commission doubtless knows, we have been working under tremendous pressure in getting this statistical mass in form such as the commission requires; and it is a new process of reforming accounts for the purpose of showing things that we do not customarily show on our own books for our own purposes. Now, we have got a lot of that statistical matter gathered together. It is dull going -- that analysis part of it is dull going for a commission by oral interrogation. You can't carry the figures in your mind as you go along very much; and what

would seem to me, in view of the short time, a satisfactory way of going at it is this: We will get as much as we can together, take it up with Mr. Stevens, and give him, outside of the sessions of the commission, as much of a chance to see what we have been trying to do as we can, and check our methods of reaching our results and the compilation of our figures, so that when we get together Wednesday morning Mr. Stevens will not be taking, as he has been unfortunately for a good while past — taking new figures handed him as he starts in to examine, and then trying to make what to him and to everybody else must be an unsatisfactory method of examination. I think that that additional time will probably help him, and help the whole situation. We want to assist Mr. Stevens in every possible way in getting that to him as soon as we can.

MR. STEVENS: Well, now, is that all?

MR. ALGER: That is all that I have to say on that. I will tell you what I was going to do this morning, after you got through with Mr. Cronk, I was going to give you final figures of the Borden oompany on ten months' operations. The rest will be put in later. We will then have the rest of the day to devote to practical men. Mr. Horton will be here at half past eleven.

MR. STEVENS: The practical men, the object of their testimony, I think, reasonably well appears, so far as I am calling it; but there is no harm in restating it. The first is to get us familiarized with the actual methods of

doing the work, but second and principally is to obtain from them evidence which will enable us to check those, and judge properly of those expenses appearing in the tabulations, which are necessarily, to some extent, the result of estimates, like depreciation.

MR. ALGER: Yes.

MR. STEVENS: You have charges -- depreciation is a very good illustration of it. You have in your accounts, and necessarily have there, and properly, charged for depreciation; but depreciation is not an outgo of paying money over the counter.

MR. ALGER: No, it is an exercise of judgment.

MR. STEVENS: It is an exercise of judgment, and I am trying to find out how they get at it.

MR. ALGER: Yes.

MR. STEVENS: To see whether they exercised their judgment properly in view of the situation of the business.

MR. ALGER: Yes.

MR. STEVENS: Now, there is a depreciation upon wagons.

MR. ALGER: Yes.

MR. STEVENS: I tried to find out about that yesterday. There is depreciation upon horses; 2500 horses of the Borden Company in this city -- the depreciation every month is a considerable item, but how much is it? Figures do not tell us, only that they put it there. Have they put it there correctly?

MR. ALGER: Yes.

Now, there is one further matter, Mr. Alger, and Mr. Kracke, that I want, and I think the various companies or various distributors in this city can furnish it by next Wednesday. I don't recollect whether in the information which you assembled from those distributors you have got that or not.

MR. ALGER: I will see what it is.

MR. STEVENS: That is ancient history. I assume that every one of these companies every month makes a charge to profit and loss account, as the result of the operations of the month; is that right, or not, Mr. Kracke?

MR. KRACKE: (Of the firm of Haskins & Sells, witness for distributors) No, some of them do not close their accounts monthly.

MR. STEVENS: How often do they close them?

MR. KRACKE: In a year, or in the case of one of these distributors they close them at different intervals during the year, whenever they want to compile figures up to that time. For instance, they would charge all that purchase of materials, whether bottles or anything else, to the expense account. and then to correct those expenses they charge in the inventory the remainder on hand, and therefore give that credit on that account. So that any one month's charges will not be correct without a re-statement for that one month, by giving effect to the inventory at the beginning and the end, you see. Where they do not state their

accounts monthly in the absence of any such inventories that may be on hand, in those accounts in which the total purchases have been charged in as expenses, you see, to get a correct proportionment for them.

MR. STEVENS: Now, what I want I will describe because the books are kept differently, according to your understanding.

What I would like is an income account for each month of operations for one year, each of those companies, last preceding December 1st.

Now, by income account a statement of the results by which they make up the profit and loss for that account.

MR. KRACKE: Yes.

MR. STEVENS: I want to know the results of their operations. That will show how much business they did, what their out-goes were, and generally what the total out-goes, were — generally what they were. Also their total receipts and what it came from, wholesale and retail sales, on the basis of wholesale and retail business. I want to see in what months of the year they make their profits and in what months of the year they net their losses. If their business goes as they claim here, making the major part of their profits in May and June, and netting their losses in January and February, or November.

Now, how you can show that by each one, you will have to determine by talking with their bookkeepers. Now do you

see what I want?

MR. KRACKE: Yes. Now, did you want these, Mr. Stevens, for just these companies which we have undertaken to work up detailed costs for?

MR. STEVENS: Why, I want it for as many companies as you can get. Here the only company that we have got yet any figures from, which we can analyze, is the Borden Company, which supplies in round numbers 25 per cent of the milk to the city. We are compelled at the present time to resort to those figures as indicating the operations of the other companies. We may get something out during the day that is different, but is it correct or is it not for the business as a whole? Assuming that it is absolutely correct for the Borden people, how do you supply the other 75 per cent? Now, if you can give me such a statement as that it will check up and we will see how their results from month to month and from time to time compare with the Borden people.

MR. ALGER: That is, both as to expense, the nature of the expense and the profit we are making.

MR. STEVENS: I want to know how many quarts of milk they have bought; I would like to know what they paid for it each month; I would like to know the percentage of butterfat; I would like to know their freight for that month; I would like to know their --

MR. ALGER: (Interrupting) A little slower, Mr. Stevens, and let us see if I can get this down.

MR. STEVENS: Let the stenographer get it down and furnish a copy. That is all.

I would like to know how much milk they bought in quarts or in pounds each month. I would like to know the butterfat content, the average. I would like to know how much they paid for it on an average per hundred pounds, and the total paid for it. I would like to know their freight that they paid for that month's operations. Then I would like to know how much of that milk is sold by what is termed here "Wholesale", that is, by the can, to the city. I would like to know how much they received per quart or in some other unit for that, for the month -- the amount. I would like to know the amount in quantity which they sold as bottled and the amount they received for that.

MR. ALGER: Are you through? I hope so. I am glad you are going to let us have until Wednesday.

MR. STEVENS: I do not know how they kept their books, but it does seem to me any concern that could not complete that information between this and next Wednesday better employ Haskins & Sells or somebody else to tell them how to keep their books. All of that information is absolutely essential to it, and if they are not keeping that sort of accounts they better keep out of business -- in some shape or other, because they do not know what they are doing, and they could not tell us anything about it, what they are doing, and the results of their business at the end of the

year -- that we have made a thousand dollars or lost a thousand dollars is absolutely meaningless to them and to everybody else as determining what the proper cost is.

MR. STEVENS: If the distributors of three-fourths of the milk of this city do not know what it is costing them to do business, they had better receive an object lesson right off quick.

MR. ALGER: They do know. The only thing is to segregate it in the form in which you want it.

MR. STEVENS: Any man who is studying his business properly and conducting his business in a proper and economical way should have those details.

MR. ALGER: We can get those.

H. A. E R O N K , recalled as a witness and having been previously sworn, testified as follows:

QUESTIONS BY MR. STEVENS:

Q Mr. Cronk, I was interrogating you yesterday regarding the comparative expense of pasteurizing in the city and in the country. I have prepared here a brief statement of a result from the tables which were submitted by Mr. Waugh which, so far as wholesale milk is concerned, indicates that you pasteurized 4,064,067 quarts of milk in the city.

A Yes sir.

Q Is that correct? A Yes sir.

Q I find that the cost per quart of that milk as

stated upon the tables, omitting the expense which is there on the stable, stated as a branch expense, is .09515 as the cost of that milk in the city? A Yes sir.

Q I find that the cost of the milk which was pasteurized in the country was .08947? A Yes sir.

Q Showing an excess in cost per quart over that pasteurized in the city of .00568? A Yes.

Q Is that a correct statement of the figures in the table? A I believe it is, Mr. Stevens.

Q Then I have multiplied that excess cost per quart by the number of quarts that were pasteurized in the city and find as a result $23,083.90? A Yes sir.

Q Over what the cost would have been if it had been pasteurized in the country, and assuming that the cost would have been the same as the cost of that that was pasteurized in the country? A That is correct.

Q Is that a correct treatment of the figures in that table? A I believe so; I think that is all right.

MR. BAIRD: What period was that?

MR. STEVENS: That was for the month of October only.

Q By Mr. Stevens: Now, I have subjected the retail figures to the same treatment and I find that the quantity of milk which was retailed, that is, sold in bottles and delivered, that the quantity was 3,736,342 quarts, and that the cost of the milk pasteurized in the city according to

the table was .09983, and the country cost was .09241, and the city excess was .00742. A May I bring out, Mr. Stevens, about this country cost?

Q Is that a correct use of the figures, barring the one matter which you have just referred to? A Yes.

Q And multiplying that I find that the excess cost for pasteurizing in the city, over what would be done if it was handled the same as the country milk, was $27,723.65. If the multiplications are correct, is that a correct operation? A It is.

Q Subject to correction, if there is any error in the arithmetic of it? A Yes sir.

Q And the total of the two is $50,807.55? A Yes, sir.

Q That representing the excess cost upon handling the milk, pasteurizing in the city, the way that was handled, over what it would have been if it had all been handled as country milk? A Yes, sir.

Q Now, do you know of anything in those figures there which produces that different result, other than in the pasteurizing process? A I think there is a difference in labor; I think there is a difference in favor of the country, for the reason that when a plant is found to run below the needs of a certain branch distributing point's requirements, we buff that with the city pasteurizing plant. In other words, when we fail to get 6,000 quarts, the dairies fail to produce a given amount that permits us to pasteurize with economy at a certain branch, we turn it to the city to make it up, providing it is Grade "B" milk.

Q Now, you spoke of another point that affected this somewhat, in regard to the retail milk. Will you please explain to the -- A (Interrupting) That is the retail, the raw milk?

Q Yes. A We have stations in the country which do not ship directly in here and ship to raw milk plants where there is no pasteurizing ordinance. Therefore, that affects that cost in there in favor of the country, because that milk came out of there unpasteurized, bottled but not pasteurized. There is no pasteurizing expense.

Q So the pasteurization charge in there is spread over the entire products, instead of being charged to the product which was actually pasteurized? A Yes,sir, spread over the entire.

Q Now, have you any means of knowing the amount of that which was not pasteurized, so that we could get an approximate correction of that error? A I think we have, but Mr. Waugh could tell you on that. I do not know whether it could be picked out or not. Could you get that?

MR. WAUGH: It could, yes.

MR. STEVENS: Well, if there was a difference of $50,000.00 in the month of October, if the same difference continued throughout the year, it would be a pretty important matter, wouldn't it?

THE WITNESS: Very important.

MR. STEVENS: That is all.

COMMISSIONER BROWN: Mr. Stevens, may I ask just one question?

MR. STEVENS: Certainly.

COMMISSIONER BROWN: Mr. Cronk, you use your present city plants, according to the gist of statements you made just now, as a stabilizing reserve, in order to be sure you will get what you need for your daily supplies?

THE WITNESS: Yes,sir, make up for the deficiency which comes down in the country, and also protect our trade against non-arrival of trains.

COMMISSIONER BROWN: Well, now, there are other considerations, of a sanitary character, which would also make country pasteurization desirable, I believe. They have been suggested?

THE WITNESS: Well, that is a point of argument. I always have favored country pasteurization, and country work in so far as we have been able to carry it out.

COMMISSIONER BROWN: A great many authorities prefer country pasteurization.

THE WITNESS: Yes.

COMMISSIONER BROWN: From a sanitary standpoint?

THE WITNESS: Yes.

COMMISSIONER BROWN: That is all.

MR. STEVENS: Well, let me call your attention on this stabilizing business; does n't the table with reference to wholesale "B" pasteurized for October, 1917, show that there was pasteurized in the city, of that class of milk, 4,064,067 quarts?

THE WITNESS: Yes, that is right.

MR. STEVENS: In quantity sold?

THE WITNESS: That is right.

MR. STEVENS: And does it now that there were pasteurized, in the same time, n the country, 1,326,4555?

THE WITNESS: Yes,sir.

MR. STEVENS: Just about one-quarter of the whole amount?

THE WITNESS: Yes, sir.

MR. STEVENS: So you pasteurized three-quarters in the city and one-quarter in the country?

THE WITNESS: Yes.

MR. STEVENS: Yes, during that period. Now, does it not show that the quantities sold at retail in the city was3,736,342, city pasteurized?

THE WITNESS: Yes.

MR. STEVENS: And that there was but 2,877,152 of the country bottled?

THE WITNESS: Yes, sir.

MR. STEVENS: Which includes the pasteurized and not pasteurized?

THE WITNESS: Yes, sir.

COMMISSIONER SHEDRICK: The stabilizing reserve phrase then, would hardly be applicable in that case?

MR. STEVENS: Why, it does not strike my mind it would be.

COMMISSIONER SHEDRICK: I see what you mean, and as a matter of fact, the city pasteurization could be reduced very, very materially, and still you would get the effect of the stabilizing reserve in the city?

MR STEVENS: It looks that way to me, and I

am asking these questions of Mr. Cronk to see if there is anything wrong with the theory, or any practical difficulty. It is an exceedingly important point. $600,000.00 a year is not a mere bagatelle, except when you get to buying Christmas presents.

THE WITNESS: Mr. Shedrick, just before you answer, let me just mention that in these figures for the month of October, you will understand that the sales, the price of milk was raised. We had absolutely no knowledge of what the sales would be; we were at a loss. Therefore we were compelled to put up here practically the balance, or the majority of that milk. We bottle, as a rule, very little Grade "B" milk in the country, in an endeavor to keep these plants here to capacity, because the fluctuation is so great up and down.

COMMISSIONER SHEDRICK: Well, that is the question I wanted to ask you, whether you could take October. From the statements I have heard, something about the business, I thought maybe October would not be a very fair month.

THE WITNESS: A very abnormal month.

COMMISSIONER SHEDRICK: I think you ought to furnish the commission further figures, if we are going to judge the result here of operation, that is, the savings that might be made over more months than that one month of October; am I right?

THE WITNESS: Yes.

MR. STEVENS: Well, Mr. Shedrick, and Gentlemen of the Commission, that is a question that I want to find out from the Borden people; why did they select the month of October if it was an abnormal month? Why is it not possible to furnish the month of June or some other month?

THE WITNESS: I think it is possible. I think October was selected as the last.

MR. ALGER: The last complete month, showing the conditions as we find them, confronting us now.

MR. STEVENS: I know, but the witness says, from the strike and other matters, and raising the price, I considered in my own mind it might be abnormal; I did not know it, but now he stated on the record that it was an abnormal month.

MR. ALGER: Those expenses and increased costs are now quite normal. We cannot assume they do not exist or are going to siaappear.

MR. STEVENS: We know, Mr. Alger, that those people have a large amount of expense; and we want to get at the exact facts. We can only arrive at conclusions from the facts which you present, and if you present abnormal facts, I fear you may get an abnormal result -- I do not know.

MR. ALGER: You were asking simply as to why the month pf October was selected. I think the principal answer to to it is that it was a month which represents more nearly

than any other r[illegible] month on which the books are closed and on which the transactions are practically completed, showing conditions as they now confront them. November would show larger increases of expense, and December would probably show some other item; but the nearest that we can get on our books of normal conditions, would be the last fully closed month. That is all I wish to say about that.

MR. STEVENS: Yes. Well, now, I have tried to present this matter so that the company could have opportunity to investigate in its own way and present here next Wednesday morning any further figures upon the relative cost of pasteurizing in the city and in the country. Now, it may be absolutely impossible to pasteurize all this milk in the country. There may be a variety of reason, but we have got to scrutinize these relative costs.

COMMISSIONER SHEDRICK: Mr. Stevens, may I ask Mr. Waugh a question regarding whether he can get the figures which will give the right conslusion on that? That is, as to several months, so that you could find out just --

MR. STEVENS: You can ask him if he can, certainly. Ask him. We would be glad to have it.

MR. WAUGH: It would take quite a [illegible] bit of time to get a number of months. I have some figures that I think will lower those apparent losses in October; two reasons -- do you want them now?

MR. STEVENS: No, when you get on the stand we will take them. As soon as we are through with Mr. Cronk with some other questions. Certainly, I want all the light I can get; that is why I brought the subject up here, so that the company could have fully opportunity to give it.

Mr. Miller, do you want to ask Mr. Cronk any questions?

MR. MILLER: Yes.

QUESTIONS BY MR. MILLER:

Q Mr. Cronk, I think you stated the content of butter fat of October milk was 4%? A The average.

Q Average? A Yes, sir.

Q How was that average ascertained? A That is by the price paid, average price paid.

Q To the farmers in the country? A Yes, sir.

Q And based upon the tests made in the country for that purpose? A Yes, sir.

Q Can you tell us about what the average test is throughout the year? A I am getting that for the commission, but I can't tell you offhand.

Q That will be supplied to the commission, will it? A Yes, sir.

MR. STEVENS: I have asked for that.

Q You stated that a part of your country force was an inspector. The duties of that inspector is to inspect the barns of the farmers? A In part.

each one of the items of this score-card; is that right? A Yes,sir.

Q And the grade of the milk, whether it be "B" or "C", is determined by such score? A Yes,sir.

Q Has your company during the past years bought any milk from the farmers that, by such score, graded as "C" milk? A The Borden Farm Products Company has never purchased Grade "C" milk. We had, in purchasing the other businesses, we had two or three plants -- I can't tell you which -- that did not have the score system into effect, but which they are working to that way now. But the Borden Farm Products factories, all of them were treated on one standard, never purchasing any Grade "C" milk and paying a Grade "C" price for it.

Q Do you mean by that that if the barn score was less than 55, which I think is the limit -- A (Interrupting) Yes,sir.

Q If thebarn score was less than 55, you refused the milk? A After a certain time was allowed, an inspection was made to find out what the cause of it was. If the dairyman was unable to get up to that score, we were compelled to reject it, to comply with the requirements.

Q Well, during that time when you were making these investigations and he was making the changes, did you receive the milk? A We did once --

Q (Interrupting) You received --

MR. STEVENS: (Interrupting) Let him answer; he did not complete his answer.

THE WITNESS: We received the milk, one or two milkings as a rule, whichever time it was necessary for the inspector to go to the place.

Q But during the time stated, that the farmer was making changes in his stable, would you take the milk or refuse it? A We would take the milk until we verified the actual conditions existing.

Q And you take it upon what basis, "B", or "C"? A We take that on the basis that that man would improve what he had.

Q Yes, but would you pay for it as B or C? A We would pay for it as B. We do not buy any C milk.

Q Well, do you know as a fact that the other companies have during the past year paid the farmers on the basis of C milk? A I have understood some C milk has been purchased for manufacturing, but that is all I know about it, Mr. Miller.

Q But do you know it was used for manufacturing?

A I do not, with the other companies.

Q And you do not know as a fact that they paid some of the farmers upon the grade C basis and at the receiving station mix it with the other milk and sell it as B milk?

A I do not know of that.

Q Do you employ a veterinary as a part of the expense?

A We do.

Q And it has been your custom in the years past to have this veterinary inspect the herds of cattle? A Examine the cattle; yes sir.

Q That, I take it, is a physical examination, usually?

A A physical examination -- and essential.

Q And until recently you made no charge to the farmers for that, did you? A No sir.

Q And now you are making a charge to the farmers for that? A Yes sir, a minimum charge.

Q A minimum of charge of 10 cents a cow? A 10 cents per cow, and if I may explain, our reason for making a minimum charge is that we wish the protection of the milk

nearby stations being closed.

Q By the way, can you tell us approximately what percentage of the milk that comes to the metropolitan district is produced more than 250 miles away? A I cannot tell you, the milk that comes to the metropolitan district. I believe our purchases -- we have approximately something like 64 per cent of our total purchase in what is termed the long-haul zone.

Q And that means how many miles from New York? A That is 200; about 200 miles.

Q And it extends from that up to what maximum limit?

A 450 miles, I believe.

Q Then would you say, so far as the purchases by your company are concerned, that the center of the area of milk production would be about 300 miles away?A I would not; I could not say that, no.

Q Would you have any judgment as to where that center of milk production would be? A I could furnish that information by tabulating the quantities, but I could not tell you offhand.

Q If that would not be too much trouble, would you do so? A For the Commission; yes sir.

THE CHAIRMAN: Mr. Miller, what do you mean by milk production, center of area or center of area weighted by the amount of milk?

MR. MILLER: Weighted by the amount of milk, yes.

MR. ALGER: Had you that in mind, Mr. Cronk, when you gave the answer?

THE WITNESS: How is that?

Q Did you understand that was what was meant when you answered the question?

THE WITNESS: The center of the area that we were shipping from.

Q You stated in reply to Mr. Stevens, or at least the figures show under the item, I think, of stabling horses, certain charges for hauling milk from the farms to the redeiving stations. Your company does that in some instances, does it not? A Yes.

Q And did you on the first of October in many localities abandon that for the reason that it was costing your company more than the farmers were paying for the hauling?

A We attempted -- we sent out instructions, I believe, the first of October, with the ruling that we would expect a charge consistent with the cost, and then there were some sections that were unable to make the adjustment and have not done so as yet. The hauling is really in effect yet, but, however, on a basis which will permit cost.

Q And about what proportion has been abandoned entirely?

A I cannot give you that. The only figures would be the tabulations of that, Mr. Miller. That is being changed as rapidly as is possible, being reduced to the point where some patrons are hauling their own milk, thinking they can do

do it cheaper.

Q Can you state approximately the minimum and maximum cost to your company forsuch transportation? A Such hauling?

Q Yes. A From one district I have a recollection that there was a hauling charge of 68 cents per hundred pounds; another one, I think it was down to 7 cents. That is a minimum and a maximum. That brought about the change in instructions that were issued.

Q Assuming then that it would cost the farmers as much as it would your company for the transportation of that milk, that would be their minimum and maximum costs, would it not?

A Yes sir.

Q Just one question as to the waste in your country plants. Of course the amount that you receive is determined by the weights at which you pay the farmers; how do you ascertain the weight of the milk that is taken out?

A Taken out of what?

Q Out of your receiving plants in the country. A It is all measured as a rule -- bottles, quarts, quart bottles, or pint bottles.

Q And cans? A And cans.

Q Yes, and you assume how many pounds to be in each can? A 85, as an average.

Q Is there an opportunity there in hastily filling to have more or less milk in a can to some slight degree?

A If there was -- you understand, when we fill a can of milk, label it or tag it, as the Commission saw the other night on the platforms, it arrives for sale, and we put our guarantee by stating that there are forty quarts in that can. We are subject to a fine if any less than forty is found in there.

Q And are the cans sold to your customers in the city just as they are filled in the country? A Yes sir; they are sealed and sold under seal.

Q As I recall it, Mr. Van Cise, the president of the Mutual-McDermitt Company, testified before this Commission last week that in his judgment the milk territory naturally tributary to the metropolitant district is now, with the possible exception of about ten points, fully occupied by receiving stations. Do you agree with that? A That is a statement I could not say. I believe I have on my records several points locating -- where they desire locating a plant, but as to the exact number I could not say. It would seem to me there are ten points and more.

Q Would the locations that you have in mind be entirely new territory or would they to obtain a maximum capacity draw from other receiving stations now located? A I think in some instances entirely new, where manufacturing has

draw from receiving stations already located throughout the territory that I have mentioned? A Let me get that again, Mr. Miller -- the number of stations now opened?

Q No, the number of locations now opened for new receiving stations throughout this territory that would not in their operation take milk from receiving stations now opened? A I could not say. My survey has not been as complete as that.

Q Well, have you a general judgment from your knowledge of it? A No, I have not.

Q This territory is pretty well pre-empted with receiving stations, is it, or isn't it? A I should say it was, Mr. Miller.

Q Well, what does that indicate to your mind as to the future supply of milk to the city? A It indicates to my mind the necessity for intensive production.

Q Absolutely so, yes. A Yes sir.

Q And that intensified production can only be brought about by a price to the farmers that would induce them to change from grain farming and vegetable farming to dairying in a measure; is that right? A I would not want to say that.

Q Well, what would you say about it? A Well, I would be in hopes that there would be some way that we could work it out which would be a method whereby the dairy man would become more interested. Whether it would be a matter

of increased cost to them or not, I do not know, but you understand when you get to the point of speaking with the dairy man about the cost of producing milk he has other features that are just as important as the cost in mind. He has his inability to get labor.

Q Yes. Well, what other method, Mr. Cronk, could you suggest to cause the farmers to do more dairying than an increase in price to them? A I have nothing to suggest, but our experience, of course, the prices we are paying now, do not seem at the present time to stimulate them. That is the point I was bringing out. It may perhaps be through the inability of the producer to get grain or something like that, you know, or the prices may be excessive as to what he can afford to pay, but there are so many items that I would not attempt to segregate it down to the point of saying which one would bring the relief.

Q But the summary of the whole is, as you stated a moment ago, that the present price now paid to the dairy farmer is not sufficient to stimulate production? A I did not say that.

Q Well, would you now say that? A No, I would not. I have not had an opportunity of studying the costs of production sufficiently to say that, Mr. Miller.

Q Just the one question as to the loss on your cans. Have you any information by which you could state whether or not there is a substantial loss in your cans in transit,

being returned empty? A Returned empty?

Q By the railroad companies. Have you any method of checking up that? A Yes, we use this form, a branch that is not in a position to do its own repairing or cannot have that repairing done locally is asked to return cans to the nearest branch or to this end, where they will be repaired.

Q Now, I am referring, Mr. Cronk, to the daily return of cans by the railroad company? A Oh, empties from New York to the country?

Q Yes, the railroad companies do not give you now any bill of lading for those cans, do they? A No.

Q Therefore there is no method, unless you keep it upon your books, to show if the same number of cans are returned to the country stations that are shipped to this end? A We have a way of checking that by a daily invoice.

Q Do you find any substantial loss in that? A We oftentimes find shipments going astray, but we usually locate them.

Q You usually recover them, do you? A Yes sir.

Q I suggest that question because it might be advisable to have bills of lading issued for those returned empty.

A I believe we are now using -- I won't say it is used all over -- but we are using what is called a condensed ticket which the platform man is supposed to sign, showing that he sent 400 cans, for illustration, to a certain branch. Then the signature of the local superintendent is to become

attached to that same ticket upon the receipt of the 400, and is forwarded back to give a check in that way, just particularly on empties. I believe that is in use now in some sections.

Q And you have employes also to keep watch of these shipments? A The shipments back to the country?

Q Yes. A Yes, we have Can Federation also to look out for our interests on any stray cans.

Q That Can Federation, you mean, is one of many different companies? A Of different companies.

MR. MILLER: I think that is all.

THE CHAIRMAN: Doctor Brown has one or two questions.

COMMISSIONER BROWN: Mr. Cronk, taking up the matter of scoring, to which Mr. Miller alluded, you have accepted for grade B shipment all the barns scoring, as you suggested, up to 55?

A 55, and over.

Q You accept for Grade A shipments only barns scoring 68? A Yes sir.

Q And you pay a premium -- A (Interrupting) Yes sir.

Q -- on Grade A. Therefore the barn score has been the factor which has determined whether you would pay the farmer a premium? A Yes sir

Q And has been the only factor? A Yes sir.

Q And now, just another word; you recall the require-

ments of the score card as to the scores of the barns?

A Not just word for word Doctor Brown, I do not.

Q Does it not read something like this that the floors shall be of brick and concrete or other non absorbing material.

A I think that is the way, Mr. Miller, it stated it. Concrete or some other non-absorbent material.

BY COMMISSIONER BROWN:

Q Mr. Miller only mentioned the concrete. The farmer could use a wood blower in such a case? A Yes, I think he could use a wood blower if the wood blower was tight, and I think it would be acceptable.

Q It is not absolutely necessary then to have the expensive concrete blower? A No.

Q You are familiar with the regalations of the Health Depart,ent which have just been confirmed? A Yes.

Q Which abolished the numerical score for barns? A Yes,sir.

Q And therefore removed thatcas a method of settlement on Grade "A" or Grade "B" milk? A Yes.

Q So the farmer will no longer have that to contend with? A Yes,sir.

Q And he will depend then entirely on the cleanliness with which he handles his product as to whether or not he shall receive the other payment? A Yes, the sanitary standard of his milk.

Q That sanitary standard being relfected in the bacterial count of the milk as delivered? A Yes,sir.

COMMISSIONER BROWN: That is all.

BY THE CHAIRMAN:

Q Do you not classify your milk on the basis of a bacterial examination? A The former card was used for Grade "A", but yet we had a card covering the count of

basteria in Grade "B" milk in the city.

Q Is that milk classified on the basis of what it is, or the place which it comes from? A On the basis of what it is.

BY MR. MILLER:

Q Did you mean in answer to a question from Dr. Brown to state that the barn score was the only factor upon which it was determined whether milk should be paid for as Grade "A"? A No.

Q The other factors are, are they not, that no matter whether a farmer in a given locality produces Grade "A" milk, he receives payment only for Grade "B" milk unless all the milk delivered to that plant is Grade "A" milk? A Under the present ruling that is true.

Q In other words, that your plant at that locality must handle only Grade "A" milk? A Yes, sir.

Q Therefore, if a small number of farmers in a given locality are producing Grade "B" milk, and if all the rest of the farmers in that locality produce Grade "A" milk, they are paid only for Grade "B" milk. Is that right? A The manner in which we handle that, Mr. Miller, is this: Our selections for Grade "A" plants is based upon the actual sanitary conditions existing in that locality first, as a selecting point. Secondly, we start purchasing Grade "A", paying a premium as outlined. In case we have any dairies that fail to make the score, fail to meet the

requirements for Grade "A" milk, the ruling is such that we receive their milk in cans as Grade "B" milk and ship it to the city raw to be pasteurized. In other words, if we had 50 dairymen at a factory and 45 of those dairymen at that factory would be designated as Grade "A", would make Grade "A" milk, consistent with the requirements, and 5 dairymen at that plant would not make Grade "A" milk, that would mean that we would ship the milk that the 5 dairymen supplied as Grade "B" milk to the city to be pasteurized, and not pass it through the same room or apparatus which is used for the Grade "A" milk.

Q And the farmers that produce Grade "A" in that case would be paid for Grade "A" milk? A Yes.

Q peferring to the new ordinance as to the method of testing the sanitary condition of the milk, that is now based on the bacterial count? A Yes,sir.

Q From your experience and observation, do you say that that system will result in any less work, or less degree of care on the part of the farmer than under the old barn score? A I would not state that. We made some experiments and they seemed to work out favorable to a control by the producer. However, in the barn score it was known that a lot depended upon the man that was scoring, the judgment of the man as to this point or as to that point, and I believe that the other system will allow for a certain check that will do away with any question.

Q Would you not say that to keep the milk within the bacterial count required by municipal regulation, the farmer

must still exercise a high degree of care ? A He has got to exercise care in the production of his milk in any event.

Q In order to comply with the municipal regulation? A In any event, if he is doing it properly.

Q And would you say that the degree of care under the new regulations would be as great as under the old barn score regulation? A It may be greater in some details of the work and may not be so great in others. It may be greater in sterilization and in ruling. In cleanliness, the essentials probably would be the only ones taken in; however he could - perhaps dispose of brushing the cow for he could get just as good results by proper steilization. That is the way we weigh it up according to our experience. It may be possible for him to lessen his work as far as man labor goes, but not to lessen it as far as detail caution goes in carrying out those little exactions.

Q In what respect could the labor be reduced? A I would not say that it could; it may, I say.

Q In what respect may it? A It may be such that it is necessary for him to have a man to do certain stable routine, or perhaps he can get control without that. For illustration, I have known a man to make real low count milk, or ten thousand count milk without any trouble whatsoever.

Q But that is very exceptional? A I imagine it is.

THE CHAIRMAN: I happen to be connected with an institution that is making a very extensive study of the factors that influence the sanitary quality of milk. There is no question but what the old Board of Health requirements were unnecessarily expensive; that attention was given to certain factors which had no influence whatsoever, and expensive attention, too, to the quality of the milk. We have been conducting investigations as to the relation of scores to the quality of milk, and we have had some of the very best milk from the lowest scoring barns.

There are about four factors that have to be considered, three particularly: Cleanliness of the cow, cleanliness of the man, sterilization of the utensils and the way the milk is cooled.

When those are attended to it is not necessary -- it may be advisable, but it is not necessary to wash the walls of the barn or to have a cement floor because the bacteria does not get in milk that way.

I am making this explanation to show that so far as the cost of milk is concerned the rigorous requirements on the farmer may be greatly lessened.

MR. ALGER: And his expense in proportion?

THE CHAIRMAN: And his expense in proportion.

MR. MILLER: May I ask Dr. Brown if the new regulations are now effective?

COMMISSIONER BROWN: Yes, sir.

COMMISSIONER FULLER: The expense of all of these things have been on the farmer all the while, have they not?

THE CHAIRMAN: They are not on him now.

BY COMMISSIONER FULLER:

Q Where is this bacterial count to take place, at what point? A We are conducting it in the first instance practically at the point of delivery with the exception of 6 miles distance on one.

Q Delivery to you at your receiving stating? A Yes. We expect in other cases to handle it through on central laboratory.

Q You take your sample for bacterial count at the station? A Yes.

Q And that goes to you and the grade of the milk depends upon your count? A Yes. However, I might say for the benefit of the commission that each case the experiments that we have so far conducted as to the bacterial work has been made jointly with the producers' consent as to the proper party. They have been selected from the locality in which we are conducting the work.

Q Another question: Does your test come from the individual or from the general delivery of the milk from one particular station? A The individual. Each delivery is sampled.

Q You are the field man for Borden? A Practically speaking, yes.

Q Do you find among the dairymen a general sentiment that they are not very enthusiastic about producing milk? A There has been a general feeling of unrest with the producers due no doubt to the disturbances which have occurred in the industry.

Q That is the general feeling among the farmers, is it not? A Yes. However, I believe that at the present time, in all justice to the Dairymen's League that they have been perhaps modifiers there and have helped the situation along and kept things in a state of what I would call very peaceful at the present time in view of what we were facing a short time ago.

Q That is just at the present time? A I have no indications of any unrest. It may exist down in the producers' mind, but I believe he is doing everything he can do to adjust himself to the existing situation the same as we are.

BY COMMISSIONER SHEDRICK:

Q Your company at the present time is not short of milk? A No, sir.

Q Do you have an abundance of it? A We have plenty.

Q Do you happen to know whether the condensed companies are drawing very much more milk for condensing purposes than a year or two ago? A I believe it is a

fact that there are some condensing companies that have invaded the territory which formerly shipped milk to New York, and are taking the supply away, thereby forcing the distributors who serve the city to go to remote sections in order to replace that amount which has been turned into manufacturing. I will cite a case right in the Orange County Section where several hundred cans of milk have been taken and manufactured into condensed milk, thereby forcing the distributers who purchase there to go to far remote sections to replace it to meet the requirements of the city.

Q Was your company shorter last summer, during the summer production than in former years, or did they have more milk? A I believe we had more.

Q You spoke about needing to stimulate production. These facts that you have just spoken of being true, why do you suggest that production should be further stimulated? A I believe it should be intensified.

Q And not stimulated particularly? A I stated "intensified" for the reason that our object in working with the producers is to try to get milk more on a uniform basis. To bring that point out clearl y to you, we have at the present time say 10,000 dairymen that we purchase milk from to meet our requirements. If we take the production of those 10,000 dairymen, their production will be beyond our control in the month of June unless we are able to find a satisfactory manufacturing outlet.

Q And that will produce large losses to your company? A We are compelled to either find a satisfactory outlet or suffer losses.

BY MR. STEVENS:

Q Do I understand from that that the supply of milk to you is in excess of the demand for fluid milk? A At times of the year.

Q At the time you mention? That is what it amounts to? A yes,sir. It is utterly impossible to get the product from a given number of farmers to harmonize with the requirements of the city.

BY COMMISSIONER SHEDRICK:

Q Can you state what on the present prices of cheese and butter -- what price the farmer would receive for 4% milk? A I cannot, Mr. Shedrick, offhand. I can furnish that data, but I have not got it in mind. I have drawn what is called a deadline on cheese and butter at the present manufacturing value, so I do not believe that we are apt to put any milk in that class, in fact, we cannot do it, and we know that. In other words, I am looking now for an outlet for the surplus production which we will receive in January to some manufacturing points, in order to continue to take the milk from the same number of dairymen which I have now.

Q Is there any method by which this milk can be utilized and utilized without a loss excepting through

condensed milk, that you know of? A No. And even in condensed milk, let me clear the minds of any of the commission on that, that in our having and maintaining 200 shipping points in the country, you naturally would think it an easy matter for us to divert our surplus milk to what manufacturing points the parent company, or Boden Condensed Milk Company would have, but when you understand that the same price is paid, practically the same price, section for section, for the manufactured milk, that is paid for the fluid milk, then in order for us to ship from 100 miles, or 50 miles radius, we attach a freight, and necessarily a handling charge to that; therefore it is not a very great indicement for that manufacturing firm to get milk from us because it carries with it an excess cost over that which he receives delivered at his door.

COMMISSIONER KITTREDGE: May I ask one question? Is it the sanitary condition of the barns or the bacterial count or the amount of butter fat that designates Grade "C" milk? A Grade "C" milk according to the present ruling is designated — it is really a grade provided for whatever milk does not conf mrm to grade "A" or grade "B", degraded to "C", and that is for manufacturing purposes.

Q But when it is sold as fluid milk to the people as grade "C" is it because of less butter fat, or because of sanitary conditions? A Sanitary conditions.

COMMISSIONER KITTREDGE: No, but when it is sold as fluid milk to the people as Grade C milk, is it because of less butterfat or because of sanitary conditions?

THE WITNESS: Sanitary conditions?

COMMISSIONER KITTREDGE: Sanitary conditions?

THE WITNESS: Sanitary conditions. It may be of the same butterfat. In other words, simply, if a Grade A plant today failed to meet the requirements for Grade A milk, for even Grade A or Grade B, it would be degraded C, and then it would have to be labeled and sold as Grade C.

MR. ALGER: That is all.

MR. STEVENS: Just one question, Mr. Cronk. You said you had plenty of milk. What do you mean by plenty?

THE WITNESS: That was sufficient to cover our requirements.

MR. STEVENS: Well, cover the demand for fluid milk?

THE WITNESS: Yes sir.

MR. STEVENS: That indicates, but -- is the demand equal at the present time to what it was a year ago or two years ago?

THE WITNESS: No, it is not, Mr. Stevens.

MR. STEVENS: Well, do you have a greater excess supply over that demand now than you did a year ago and two years ago the corresponding season?

THE WITNESS: No, we have some stations, you

understand, we have not opened, you know, in order to --

MR. STEVENS: (Interrupting) Well, closed?

THE WITNESS: Yes, we have them closed, because we have not -- we open a station -- as Mr. Miller knows, we open a station. Now, we open one just as soon as we find an outlet for that given amount of milk, when we are safe in opening it.

MR. MILLER: Are you through, Mr. Stevens?

MR. STEVENS: Yes, I just wanted to have it clearly appear what was meant by "plenty".

MR. MILLER: Referring again to those stations that you have closed, you know as a fact, do you not, Mr. Cronk, that in some of those localities the farmers have made community sales of their cattle and disposed of them?

THE WITNESS: I do not know of any community sales, Mr. Miller.

MR. MILLER: Well, do you know of any farmers making an individual sale of cattle?

THE WITNESS: I have heard of some individual sales, but not directly covering the closed territory.

MR. MILLER: I refer you to the station at Kingsley, Pennsylvania, which is a few miles from your home at Binghamptón. Did you hear that the farmers there had a few community sales and other individual sales, and sold off their herds, many of which went to the slaughter house?

THE WITNESS: I did not hear that, no sir.

MR. MILLER: Did not hear that? All right.

MR. ALGER: That is all, Mr. Cronk.

COMMISSIONER SHEDRICK: One more question, Mr. Cronk, please. When you closed these stations, you closed them because you did not have sufficient demand in the city market for that milk?

THE WITNESS: Yes sir.

COMMISSIONER SHEDRICK: You say you sold some of them and --

THE WITNESS: And leased some of them.

COMMISSIONER SHEDRICK: Leased some of them?

THE WITNESS: Yes sir.

COMMISSIONER SHEDRICK: Did you offer at that time to manufacture butter and cheese at the best advantage possible for the farmer?

THE WITNESS: Yes sir. I was willing to operate those stations on any basis that any one would help me out on, showing me where I could give them a return on their money. In other words, I would operate the station and turn it into butter or cheese at the prices -- at the manufacturing prices.

COMMISSIONER SHEDRICK: And that was not satisfactory to the farmer because butter and cheese returned so much less than the city prices?

THE WITNESS: Yes, city prices.

MR. MILLER: Well, that makes it necessary to

both instances now. You have the country can stations which ship to the city against the country stations which pasteruize in the country.

Q Now, you look at the power house expense. For the cans pasteurized in the city the power house expense per unit is.3061 and for the cans pasteurized in the country it is .20101, isn't it? A Yes. That is explained by the fact that in the first column you are dealing with raw milk, getting it ready to ship to the city pasteurizing plant. In the second column you are in a country pasteurizing plant and considerably more coal is used there to heat the milk.

Q To heat the milk for the pasteurizing? A Yes.

Q Well, now, isn't that covered by the pasteurizing expense in account No. 185, which is stated at .3055 and in the other it is blank? A That is just it, the first column, the part that you are referring to, israw milk in the country receiving station.

Q And I understand. A And there is no pasteurizing there. The pasteurizing expense for that milk is down in the city pasteurizing plant.

Q Well, but you spoke of there being more coal. Now, I ask if that coal which is burned in the pasteurizing expense is not accounted for in the item of pasteurizing expense? A In the pasteurizing -- in the country pasteurizing plant -- no, it is not in that pasteurizing expense.

Q Well, where is it? A It is in the power house expense.

expense.

Q It is in the power house expense? A Yes, the power house expense includes all coal.

Q All coal? A Yes, sir.

Q Well, what does go into the pasteurizing expense? A There are special operations necessary for the pasteurization of the milk.

Q Well, what other operations are there other than putting it into a vat and heating it? A Well, the labor of putting it into the vat and taking it out again for one thing.

Q Yes? A And the watching of the process to see t the milk is heated to the proper temperature.

Q Well, it is practically alllabor, is it not? A Principally, yes. There would be repairs, too.---

Q (Interposing) Now, the teaming and stabling expenses, cans pasteurized in the city, the unit is 8 as against the country pasteurized 22, isn't it? A Yes, that is because there are different plants. They are located differently.

Q And general repairs and maintenance, the city is 55 as against the country's 60, isn't it? A Yes. That is accounted for ----

Q (Interposing) Now, I have called your attention to quite a number of items where the country expense was greater than the city expense. Does that lead you to modify your conclusions, or the conclusions which anyone would draw from your statement regarding the cost of milk, that the cost of the

milk was grater for the city milk than the country milk? A No,sir; in the country column here the expense of processing that milk is complete. In your first column, which is the milk which goes to the city, the process is only partially completed in the country and is finished in the city, so that the city pasteurizing milk has a country cost and a city cost, and I believe that is the principal reason why city pasteurized milk is higher than country pasteurized milk, because it is handled through two plants.

Q Well, in other words, I simply want to call your attention to the fact that when you attempt to compare the pasteurizing expense in the city and the country you have got to take into account the three ---- A (Interposing) Yes.

Q The three arrangements of figures and not any one item of them. A Yes. You have got to take both the country and the city.

Q You have got to take both the country and the city? A For the city pasteurizing.

Q And every item that goes into it, haven't you? A Yes.

Q And that to show that one is cheaper in one place than the other is dearer in another, it does not prove anything in itself, you have to take the whole thing? A You have to take the whole thing into consideration.

Q And so, if you commence to make deductions from or

additions to the figures as I presented them to you and Mr. Cronk, you have got to take more than one item, haven't you? A You have got to take both the country and the city end.

Q Now, I labored several hours on that last night, and I would like to have you labor on it, because I insist notwithstanding, the city pasteurizing is more expensive than the country by a material factor. Now, I may be wrong about it. A It is more expensive ---

Q (Interposing) I thought I would set the discussion going and see that it amounted to.

MR. ALGER: I did not get that. Do you think the country is cheaper?

MR. STEVENS: I think the country is cheaper. I have no knowledge of it whatever except from these tables, and it may be absolutely wrong. I do not announce it as a conclusion at all, but simply as an impression.

THE WITNESS: May I add that the country is cheaper. My object in drawing out this point was that it was not so much cheaper as you said in your first tabulation.

Q Well, I never said it was, did I? A Pardon me. I meant in those figures which were presented here when Mr. Cronk --

MR. STEVENS: (Interposing) That is simply to stir it up, that is all.

MR. ALGER: You stirred it up, all right.

MR. STEVENS: I simply wanted to stir it up because it is a very important matter.

MR. ALGER: Oh, yes, it is. We have through about this matter for a good many years.

MR. STEVENS: Yes. Well, I think you better think a little harder about it.

MR. ALGER: Perhaps so.

COMMISSIONER FULLER: It is important in more ways than one, because in pasteurizing plants in the country you cannot sell Grade "A" milk to these companies.

MR. STEVENS: I wish to put upon the record, Mr. Chairman, that I have just asked Mr. Waugh as representing the Borden company to furnish this commission with an analysis of these expenses for October, which have already been introduced in evidence, to be introduced at any time before the final close of this case -- if he can produce the figures. He is doubtful if he can do it. I have suggested to him the importance of it in this line; I have asked him out of the total cost, considering that percent as 100%, to furnish to the commission a statement of how much that cost in percentage or in aggregate otherwise, is for labor expense, how much is for waste, how much is for materials, supplies, and so on. He sees the importance of that, as I have stated it to him, and so does Mr. Alger, I think -- that inso considering the subject of economies and rearrangements, if the labor

cost I apprehend is -- the cost of labor is subject to conditions beyond the control of these distributors; now, if the labor costs are75% of these operations the situation is entirely different than as if it was only 30%. You see the point?

THE CHAIRMAN: I see the point entirely.

MR. STEVENS: I need not elaborate on it further. Now, whether we are able to get that, I do not know. I want it if we can get it, and I have no doubt Mr. Waugh will do his very best to produce it.

L O T O N H O R T O N , was called as a witness and, having been duly sworn, testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Horton, you are the president of Sheffield Farms Company, are you? A Yes sir.

Q How long have you been president of that company?

A Fifteen years, since its organization.

Q How long have you been in the milk business in the city of New York? A I am almost ashamed to tell -- 45 years.

Q I have brought you down here because there are a number of practical questions which the counsel for the Commission wishes to ask you regarding practical operations in the milk business. I am just going to turn you over to Mr. Stevens and let him ask you anything he wants to.

Q By Mr. Stevens: How many country receiving stations supply milk to your company for distribution in the city of New York? A I think we are operating about 65 now.

Q What number of receiving stations do you have in the country? A I think about 83.

Q What is the condition with respect to the 18 difference? A Some of them are leased and some of them we have closed up.

Q How many have you leased? A I think about 4.

Q How many are closed? A About 14.

Q Why are they closed? A Most of them were small stations, run down very low in the winter, and we thought it

was to our advantage to close them up. All the milk from those stations we still get, with the exception of about 300 cans.

Q So the closing of the other stations has only affected the amount of milk you purchased by about 300 cans daily? A Yes sir.

Q Simply resulted in another way of getting it at another place? A Yes sir, working out an economy.

Q How much milk are you supplying to the city of New York at the present time daily? A On last Thursday 247,401 quarts. That was what was distributed out of the wagons, not .e stores.

Q About what percentage is that, roughly speaking, of the total fluid milk supplied in the city at the present time.

A I do not know as to the total supply.

Q The evidence indicates roughly that at the present time the city is receiving about fifteen hundred or sixteen hundred thousand quarts daily. If you are receiving three hundred thousand and the total is fifteen hundred thousand, of course you can get the percentage very readily. I want to find out the magnitude of the supply that you bring here, in a very rough way. A I should think approximately in milk alone probably 275,000 quarts.

Q Then you supply roughly speaking 18 per cent of the milk? A Possibly.

Q I understand the Borden Company supplies the largest

amount of fluid milk to the city of any one concern. Is that your understanding? A Yes sir.

Q I also understand that your company supplies the next. Is that the way you understand it? A Yes sir.

Q What is the next largest company in quantity supplied?

A Really I do not know. There are wholesale dealers, you know, that handle large quantities.

Q Name some of them. A A man who sells canned milk, for instance, Levy, who is a large wholesale dealer.

Q He brings in canned milk exclusively, does he?

A I think so. And the Standard Dairy.

Q Is it fair to consider that your concern is next in quantity to the Borden people? A Yes, I think so.

Q Your company was a party to the arrangement which led to the appointment of this Commission, I understand?

A Yes sir.

Q And your company agreed to abide by the decision of the Commission, I believe? A We did, sir.

Q You knew the terms of the authority issued to the Commission? A I believe you were to make a price for three months for the farmers and for us.

Q You understood, did you not, that they were to proceed as follows: "And said Commission is authorized, empowered and required to find from the evidence offered, if possible, the cost of delivering milk to consumers in the city of New York". You understood that, did you not?

A Yes sir.

Q What evidence have you prepared on behalf of your company to submit as to the cost to your company of delivering milk to consumers in the city of New York, either by wholesale or retail? A We have had our accountants go over it with Mr. Kracke and I believe they have the figures. That is all I know.

Q Have you any other figures to submit than those which Mr. Kracke will present? A Only thoughts of my own.

Q Are you prepared to submit any other tabulations than those which Mr Kracke will present? A We have our n accountants.

MR. ALGER: I might say that I did not bring Mr. Hordon down for that purpose. I brought him to discuss the general problem.

Q I am not asking if Mr. Horton individually has got something here, but I want to know what has been prepared by his company, if anything, other than we will ultimately get through Mr. Kracke. Do you understand now? A We have our regular balance sheet made.

Q Are you going to introduce it in evidence?

A I will if it is wanted; anything that is wanted.

Q I want to know what you are proposing to present.

MR. ALGER: Our figures will be presented like the other dealers. They will be in statistical form, furnished by the statistical department.

Q Perhaps I do not make myself plain. We have some detailed evidence as to cost of delivering milk in the city from the Borden people, which we have just been going over for a couple of days. Now, I understand that Mr. Horton's company has been furnishing certain statistics to Mr. Kracke.

A Yes.

MR. STEVENS: And I understand that Mr. Kracke will present those by and by, whatever they may be.

MR. ALGER: Yes.

MR. STEVENS: Now what I want to know is whether Mr. Horton, on behalf of his company, has anything to present here in the way of statistical information other than what he will get from Mr. Kracke.

MR. ALGER: Are there any facts and figures that you want to bring to the attention of this Commission in your own way, telling your milk troubles, Mr. Horton?

MR. STEVENS: No, not milk troubles.

MR. ALGER: Milk experience.

MR. STEVENS: No, not milk experience. As to the cost of delivering milk to consumers in the city of New York.

THE WITNESS: I will answer that question in this way. We do not go into the minute detail of the statistics as the Borden people do. I claim really that they are to a large extent a guess figure. I have never yet been able to compare figures for the year in our business that will balance of the account of the treasurer. There is a certain

shrinkage and a certain detail that I have never had any one, and I have had all kinds of statistics put in front of me, and I have had business men come that could show me methods of doing business, but when it ends down to get the milk in the cocoanut, I compare my business in this way:

I watch what I am turning a dollar over for, and if at the end of the year my business has been underwritten for ten cents on the dollar, on the turn-over, that is one question. If it keeps going down year by year then I know I am working on a less margin.

Q What do you mean by a less margin? A A less margin profit. If I turn over a certain amount of money in a year and I make 5 per cent on the turn-over, the next year if I make 4 per cent, I know that either I am not keeping up in efficiency in my business, or the increase of handling the business, or I am robbed. That is the way I handle it in my own way. Because I am not satisfied in my mind that there is any one, taking the conditions, that can tell of the different locations, of the different distributions, of the amount of tonnage, that can sit down and say what he actually makes on the turn-over of a quart of milk.

Q It is not a question of what he actually makes -- what it actually costs him. A Well, --

Q (Interrupting) Your expenses aggregate a certain sum every year? A Yes sir.

Q Well, assume, for illustration, that they amount in

your case to $500,000 a year -- I have no idea what they are. Haven't you any means in your accounts of allocating that sum of $500,000 to the costs of doing your business, in a general way? A I do, in a general way, but to be accurate -- to be accurate --

Q (Interrupting) Well, to be reasonably accurate; not have this fallacious accuracy to the fifteenth decimal place, but can't you carry it out to the fourth decimal place? A Well, you probably can get it down there; but when you sum it all up it is a guess.

Q Well, now, let us see about that, because you are saying, practically here, that this Commission must make a guess. A Well, I think you will have to, --

Q (Interrupting) It will have to do enough guessing, but I want to eliminate as much as possible. A We can show our balance sheets, we are willing to show everything else.

Q The balance sheet, as I indicated, is not very informing. I certainly want to be practical with you, Mr. Horton. A Yes.

Q And see if you can elucidate this question. You sell-- milk sold in the can has been termed, in the evidence of previous witnesses from the Borden Company, as being wholesale milk, so far as you are concerned; and milk which is delivered to the consumer at his place of residence in bottles is called retail business. Is that a ~~fair~~ proper designation for you to use? A Yes.

Q Then our minds meet on that point? A Yes sir.

Q Now, at the present time, what are you receiving per quart for milk sold wholesale, that is, in cans?

A 10 cents a quart.

Q 10 cents a quart? A Yes. That is what we sell, what little we do.

Q What is that? A What little we do.

Q What proportion of your business is wholesale?

A Well, if you call -- I have been going back to the principles of twenty years ago.

Q Just -- A (Interrupting) Now, wait until I tell y[illegible] --

Q (Interrupting) No, just answer a few questions, because -- A (Interrupting) 18,887 quarts was sold that day, not in bottles.

Q And the total was how much? A The total then was 247,401.

Q Then your deliveries are mostly in bottles?

A Yes sir.

Q Yes. Now, but you sell what you do sell at wholesale at 10 cents a quart? A We deliver to families in pails, a large quantity, a large amount of milk of that portion -- from 8 to 15 to 20 quarts in a pail, and that we sell to them at their residences for 11 cents a quart.

Q Well, that is -- A (Interrupting) You would not call that wholesale; we term that retail.

Q That is retail in pails? A Yes sir.

Q And you deliver it to them in pails? A Yes sir.

Q Who furnishes the pails? A We do.

Q And are the pails covered, or anything of that kind?

A Certainly.

Q All -- A (Interrupting) All covered and tagged and put up at our bottling plant.

Q Handled just the same as bottles are handled; that is, they are your pails and you wash and collect them and all that sort of thing? A We leave the pail in the morning -- they generally have two pails, we leave one and get one.

Q Yes. Why do you deliver it in pails instead of bottles? A Because we can sell it cheaper.

Q Well, is it more -- it is sold in two or three quarts in pails? A No, not as low as that; about eight quarts is the lowest.

Q Eight quarts in pails? A Yes sir.

Q In other words, what proportion of your milk do you deliver in pails? A Of that 18,000?

Q Is that included in the 18,000? A Yes sir.

Q Then your canned milk is very small, I take it?

A Very small. Practically our business is only clubs and something like that.

Q Very well. You do not sell to groceries in cans?

A No sir. I believe they have a small truck now started, one truck.

Q Well, it is negligible? A It is negligible, not very much.

Q We are not trying to whittle this down to the finest point possible, Mr. Horton. Now, you do deliver a large amount in bottles? A Yes sir, bottle sales, delivered in bottles.

Q About how much was there in bottles that day that you have selected, if you have the figures ready? A 247,000.

Q Yes. Now, what price per quart did you receive for that milk in bottles? A 14 cents for the Grade B milk and 16 cents for the Grade A.

Q Well, which was it chiefly, the Grade B milk?

A Yes sir. Well, it is about --

MR. ALGER: Have you got the figures?

Q Well, in other words, between milk sold by you and delivered in cans and milk sold and delivered in bottles, there is a margin of 4 cents difference in price? A Yes sir.

Q And between milk sold in pails, 8 quarts and upwards, and that delivered in bottles, there is a margin of 3 cents per quart? A Yes.

Q Well, now, what this Commission wants to know is, whether it actually costs you 3 cents to deliver that milk or not, and if so, how you determined the facts. That is the point. Have you got any information to give us on that point? A Well, the accountant has, I suppose.

Q What is that? A The accountant has.

Q Well, have you, of your own knowledge, practical information? A Well, we figure out it costs us -- we try to get about 3/8 of a cent a quart profit.

Q Well, you are entitled to just as much profit on the milk you sell in pails as you are on the other, aren't you? A Yes sir, but in these deliveries, you know we make a good delivery. We make, for instance -- we had --

Q (Interrupting) Well, let me -- If you will just confine yourself to my question, then we will get along very much faster, because I am trying to drive straight at a certain mark. You are entitled to a certain return, no matter what it is, for profit, on every quart of milk, you figure? A Yes sir.

Q Well, we will agree to that. Are you entitled to any more profit per quart on the milk which you sell in bottles than on that which you sell in pails? A No sir.

Q Well, then, your 3/8 of a cent per quart -- was that the figure you named? A On the bottles?

Q Yes, 3/8 of a cent per quart, applies to all your milk? A Well, of course, if you make a delivery of 8 to 10 and 20 quarts you can figure a little closer on that than you can if you make a delivery of a pint or a quart, because it does not take much more effort.

Q Well, you cost, that is a matter of cost; it costs you more to sell and to deliver the bottled milk than it does the other? A It certainly does.

Q But it is not a question of profit at all. Now, the margin between the 3 cents and the 4 cents, as the case may be, is a margin purely of expense? A Yes sir.

Q Well, now, as a practical man, can you tell us why it costs 3 cents more to deliver in bottles than it does to deliver in pails; and just tell us how you get it?

A It is the detail work, and it is the thousand and one things that have to be done.

Q Yes, but how do you determine, when you fix your price of 3 cents additional, that 3 cents is right instead of 2 cents? Why don't you fix your price at 13 cents a quart for the bottled milk? A Because it would not leave us — we figure that laid on our wagon -- that is the way I approximate that figure; I have 3 cents and 1 mill to make me deliver and cover all overhead expenses, after it is ready to deliver to my wagon.

Q How do you get at that figure; that is just what I want to know. You have made of your own volition, a difference of 3 cents. Now, you must have made it either arbitrarily, as a mere guess, or as the result of figuring.

A I did it by approximation of what the cost was.

Q Now, tell us how you get at it? A Well, I take the country end of the expense, what I paid the farmer.

Q That applies to all your milk, doesn't it? A Yes.

Q That has nothing to do with it? A Well, I do not know.

Q The 3 cents is applicable solely to the difference in methods of delivery. Of course, when you come to fix your price at 10 cents for wholesale milk and 11 cents for the pail milk, as I may call it? A Yes.

Q That covers all your country expense? A It does not cover the city expense.

Q It does not cover the expense of delivering in bottles? A No.

Q Now, as a business man, you know those are correct propositions, don't you? A Well, I could not tell you just exactly, until I could get the figures, get the statement.

Q Well, you have had four weeks, haven't you, to find out? A Well, I do not carry it in my head.

Q Well, I know, but Mr. Kracke has not given any figures on that basis, has he, at all? A I suppose he has. They have been working night and day on it, I should think.

Q Well, have you attempted to supervise it and find out? A No.

MR. STEVENS: Mr. Kracke, have you any figures prepared for the Sheffield Farms Company, showing why it costs them 3 cents more to deliver in bottles than it does to deliver in pails?

MR. KRACKE: We have figures, yes.

MR. STEVENS: For that particular company?

MR. KRACKE: For that particular company.

MR. STEVENS: You have those figures?

MR. MR. KRACKE: The figures that we will submit, Mr..Stevens, will show those figures as worked out for the month of October. for Sheffield Farms, Alexander Campbell Company --

MR. STEVENS: Just confine yourself to Sheffield Farms now.

MR. KRACKE: Yes. They will have that in.

MR. STEVENS: Have you got the table here?

MR. KRACKE: Yes, I have, but I will say that I think that I find on looking over that, one or two items may be revised somewhat.

MR. STEVENS: Well, assume that to be so. Let me see it.

MR. KRACKE: Subject to such revision --

MR. STEVENS: Let me see it. I am anxious to get the judgment and opinion and evidence of a practical man on a practical question.

MR. KRACKE: Subject to such revision --

MR. STEVENS: Now, what is this? This is Sheffield Farms?

MR. KRACKE: This is Sheffield Farms, up to the point of delivery. This is Sheffield Farms in this column here. Now, up to the point of delivery, for the city bottled, this is sheet 1. This is up to the point of delivery for the country bottled milk.

MR. STEVENS: Well, you go too fast, you see.

Now, country bottled milk —.

MR. KRACKE: Whether sold wholesale or retail, of course, is immaterial, the cost being uniform up to the point of being ready for delivery.

MR. STEVENS: Well, now, where is your delivery sheet?

MR. KRACKE: This is city bottled milk for the same thing.

MR. STEVENS: That is what I want to get at.

MR. KRACKE: Now, for the delivery we have these items right here; there is the branch operation and maintenance, delivery expenses, drivers and inspectors, horses, feed, bedding and so forth; wagons and harness, miscellaneous; that is all miscellaneous; and then administrative and general, and the depreciation items. Now, the depreciation items we show it separately here, because we have other data which shows on what basis this depreciation was worked out, and of that depreciation the first three items are applicable to the delivery expense, being on horses, wagons and autos, and the other three are container losses. There is the item of bottle expense, you see, listed under number 10 as depreciation.

MR. STEVENS: Well, now, let me see. This is the delivery expense of the Sheffield Farms?

MR. KRACKE: Yes, for the retail delivery.

THE CHAIRMAN: We will now adjourn the hearing until 2:15 P. M.

(Whereupon an adjournment was taken until 2:15 o'clock P.M.)

A F T E R R E C E S S

2:20 P. M.

THE CHAIRMAN: Before Mr. Stevens proceeds, I would like to have introduced into the records some figures which Dr. Brown has provided herewith showing the averages during the four years of 100 samples being the first taken out of 800 each year, giving the composition of the milk as they have found it on sale in the City of New York. Those percentages being for 1905 3.66%; for 1909, 3.75%; for 1912, 3.66%; for 1915, 3.06%.

MR. ALGER: That is averaged by the months? What period is that?

THE CHAIRMAN: The average for the 12 months in each year. I do not know that the averages are weighted for the quantity of milk. That is simply the composition of the milk for each month. I did that for the reason a question has arisen here as to whether the milk sold to the consumers corresponded to the milk that was furnished by the farmers.

Exhibit 36

1905	1909	1912	1915
3.76	3.92	3.60	3.56
3.58	3.88	3.68	3.48
3.44	3.78	3.68	3.40
3.52	3.86	3.56 2+	3.32
3.52	3.90	3.66	3.56
3.56	3.76	3.68	3.58 2+
3.82	3.76	3.90	3.52
3.76 Aug.	3.92	4.00	3.68 56
3.84	3.92	3.66 2+	3.72 71
3.80	3.96	3.78	3.76
3.76	3.76 8-	3.84	3.80
3.78	3.80	3.84	3.78 2-
12/45.94	12/45.02	12/43.88	12/43.16
- 3.66	- 3.75	- 3.66	- 3.60

Above are monthly averages of percentages of butter-fat in milk as received in N. Y. City for the years indicated obtained by taking 100 samples of the approximately 800 a nalyzed each month, Those 100 samples being the first 100 recorded in each month. The bottom figures in each column are yearly averages (unweighted).

MR. ALGER: That of course takes in whole_sale milk, I suppose, and everything else?

THE CHAIRMAN: The general milk supply.

MR. STEVENS: Mr. Alger, I wish next Wednesday that each of those principal companies who are furnishing information would furnish us for the months of October and November of the present year the average butter fat of the milk which they have purchased. You can makenthat very readily?

MR. ALGER: Oh, yes.

MR. STEVENS: Making the statement for months separately, by months; not for the two months; but by months separately.

They can make a computation at the same time, of course, of what the average price perquart was. In giving those results they have got to take the total quantity of milk and the total price paid all that sort of thing.

COMMISSIONER SHEDRICK: May I ask Mr. Stevens if it would not be rather enlightening if they would give us the same figures for last year, and with that December of last year, and January, February and March.

MR. STEVENS: It certainly would be.

MR. ALGER: October and November of last year?

COMMISSIONER SHEDRICK: October, November December January, February and March.

COMMISSIONER FULLER: Why not give the other six

months?

L O R T O N H O R T O N, recalled:

COMMISSIONER SHEDRICK: I would be glad to have them them if you want it, Mr. Fuller, but we are considering as to what the butter fat for those particular months was.

COMMISSIONER FULLER: You know from experience that it is lower in the summer months than in the winter months?

MR. SHEDRICK: Yes. We can have the whole thing if you want it, the whole year.

THE WITNESS: May I make a suggestion?

THE CHAIRMAN: Certainly.

THE WITNESS: Suppose we have a creamery and we are receiving 100 cans there an they show the average of that one creamery to be five per cent. And suppose we have another ceamery having 300 cans, showing we will say 3 per cent. Do you mean for us to take the actual pounds of milk that we bought and the amount of money that we paid for all this milk, and take the difference between what it would be on a 3 per cent basis, the dollarsand cents, and what we actually paid?

MR. ALGER: As I understand what he wants, it is this? He wants you to take the months of October and November separately, take all the milk and then see what the average is.

THE WITNESS: If you did that, you would have to take every borough separately.

BY MR. ALGER:

Q You know what you pay for that milk? A Yes.

Q And what you pay for the milk will show the price per quart? A Not in proportion, because one ceamery may send so much more.

BY MR. STEVENS:

Q No, take your total sales, take your aggregate total price and figure out how much you paid, and figure out the percentage of butter fat. That is what is wanted.

MR. ALGER: Mr. Stevens wants it as a whole.

Q We do not care for the individual stations, because that would go into minutiae that we cannot deal with.

MR. ALGER: We can give you this all right.

Q Mr. Horton, I have been looking over the tabulations relating to your business which have been prepared by Mr. Kracke, and they are in such detail that it is unnecessary to pursue the line of questioning which I started with you and so I will direct your attention to some other matters. Are there any months in the year in which you have expected in your business to net a loss as a part of the incidents of your business? A In former years if we suffered a loss in any month, it was generally the month of September.

BY MR. Alger:

Q How long back was it that you used to get a loss in September? A Most every year.

BY MR. STEVENS:

Q What is the reason for the loss in September? A On account of losing the seashore business, and the price of milk is higher. The trade is not commencing to come back from the holidays enough to increase our business in the city, and we have to devise our routes after Labor Day to receive the trade as it comes back.

Q The difficulty then is in the demand made upon you for milk. Is that the idea? A You see we do a very heavy seashore trade. We follow our customers to the seashore and on Labor Day they pour out of these principal places and go all over, and we have to commence right then, and the men are coming back and we have to start our wagons and single them out, as you may say, with probably a hundred quarts of milk and the trade doesn't really commence to pick up until after school opens and then it commences to come along.

Q Your trade is less, and you have your expense, which is more? A We have the expenses.

Q I am summarizing it? A Yes.

Q How about the month of October? A In October it generally picks up.

Q What has been your experience? A In October we make money.

Q You make money in October? A Yes, sir.

Q How was it this year? A We made money.

Q Have you any objection to stating how much? A I think we made something like $40,000.00.

Q $40,000.00? A Yes, sir.

Q On a turnover of how much? A About one and one-half million dollars.

Q How about November? A We haven't got the statistics yet; the November balance sheet is not out yet.

Q I didn't mean for this year. I didn't frame my questi properly. I speak of November of former years. A We made money.

Q December? A Yes, sir.

Q And January? A Yes, sir.

Q Do you expect to make the same amount of money in December that you do in June? A No.

Q Your larger rate of profit is in what month? A The largest rate of profit is from April to July; April May and June are the best months.

Q To what do you attribute that result? To what fact or facts do you attribute the result that you make more money in April, May and June than you do in November and December? A We buy the milk a good deal cheaper.

Q It is simply because you get the milk cheaper? A Yes, sir. And of course the Four Hundred trade commences to go away in May, but the others generally take up enough of it to make up, and then in June if we have a hot week that swells our sales up and takes the place of the trad

that has gone out of town for the month of June.

Q You sell comparatively a small amount or small percentage at wholesale? A Very small.

Q And it goes principally to the bottle trade? A Yes,sir.

Q Have you any suggestion to make as to how the expense of distribution could be reduced in this city? A Yes, sir, I have.

Q I will be glad to hear as to that? A Have one or two companies buy out all the rest. That is the plan I am working out.

Q Buying them up as fast as you can get a hold of them, is that the idea? A Yes,sir.

Q That is what you mean by making that statement? A Yes,sir. I am in favor of buying up the business and consolidating them.

Q You stated this morning what profit you consider a satisfactory profit upon a quart of milk, as I understood you. Did I understand you correctly? A Yes,sir.

Q Will you please state it again. A We hope to make 3/8 of a cent.

Q 3/8 of a cent on each quart? A Yes,sir.

Q And if you get 3/8 of a cent, you are satisfied with it? A Yes,sir, if I have that much to pay, after everything is paid, on capital invested, I am perfectly satisfied.

Q3/8 being the return on capital invested? A 3/8 to pay the dividends and on capital invested.

Q What do you mean by "capital investment"? A The actual tangible assets that we have on our books.

Q That is represented by a dividend, is it not? A No. Out of that 3/8 of a cent we pay on capital invested and our dividends also.

Q What are your dividends on? A On Capital invested.

Q I do not comprehend, Mr. Horton, just what you mean. I supposed that a dividend was the return on the capital invested, excepting where you had a funded debt, and then you had t pay interest on that. A I will say 3/8 of a cent on actual capital invested.

Q Whether it be interest paid on debt, or -- A Whether it is stock or real estate.

Q The capital invested is your physical plant? the money that you paid out for it, or the value of it, one way or the other? A Yes,

Q And so if the price is fixed for you by anybody else, you would be satisfied with 3/8 of 1 cent on each quart as the profit which you would get? A Yes,sir.

Q So that the principal thing so far as magnitude of dollars is concerned, or magnitude of the price per quart is concerned, is what the real costs are, isn't it? A I suppose so.

Q Why, if you sell milk at 14 cents, and you are satisfied with 3/8 of a cent profit and get it, the inference is that the cost to you in money paid out and expenses and taxes and insurance and all that sort of thing is 13-5/8 cents, isn't it? A Yes, it seems to be -- no, not on dollars, on quarts.

Q Sure, on quarts. A Yes.

Q 13-5/8 cents is your expense to buy the milk and get it to the consumer? A Everything has to be paid.

Q Absolutely, that is what I mean. A Yes.

Q We have got to buy the milk and we have got to subject it to certain operations. You have got to hire the railroads to transport it to the city and you have got to deliver it, and when you have got all the money, out-go, and all that, that amounts on 14 cents a quart, or should amount to 13-5/8 cents, in your view, and 3/8 of a cent would go to you for the capital invested. A And one or two more items that you have not mentioned. That is public liabilities and employers liability.

MR. ALGER: All those incidentals would be covered.

THE WITNESS: Yes, all those would be covered.

Q Certainly, every business man knows there is a whole lot -- A (Interrupting) Yes, net profit.

Q The net profit? A Yes sir.

Q Well, I wanted to get the matter plainly.

MR. ALGER: That is, if you got 3/8 of a cent on every quart that would take care of you and develop a profit for the capital that you invested?

THE WITNESS: Yes.

COMMISSIONER SHEDRICK: Does he mean that on the milk he buys or sells?

THE WITNESS: On the quarts of milk I sell.

COMMISSIONER SHEDRICK: I mean, would you figure that on the amount of milk you purchased? You do not sell it all in a fluid state?

THE WITNESS: I mean on the amount I sell.

COMMISSIONER SHEDRICK: In a fluid state.

THE WITNESS: Yes.

MR. ALGER: You mean all the milk you buy, don't you?

THE WITNESS: No, I do not. I do not mean all the milk I buy; I mean all the milk I sell, because some parts of that milk I do not make money on, I lose money on it.

Q Some parts of the milk you buy is loss in handling, is it not? A Yes sir. That is an expense of course. But we deal in futures, you know. We gamble, in March, as heretofore, for the coming six months, on how much milk the farmer is going to produce us; we gamble on how much the consumers are going to use; we gamble on what the elements are going to be, as to whether the season is going to be

wet or dry. Now, if we make a mistake like we did last year, which is a phenominal year -- this last year - why, it costs a great deal of money. I have not in twenty-five years seen a time that from July until October we continually manufacture it. Then you go short on the market. Then you have to go out and pay a price to get more milk, you understand. Many a time we pay 10 cents a quart for milk f. o. b. shipping station, as high as 40,000 quarts at a jump, and we pay for the 40,000 quarts f. o. b. shipping station, and pay 9 and pay the freight. And all of those, the supply and demand, have to be carried. You do not get milk like you do beer. You have got to gamble on all those conditions. Last year we had a phenominal growing year, lots of wet, and the consequence is it produces more milk. Wet in the city here, the difference of the temperature between 70 and 90 means from 10 to 14 per cent increase, and on 300,000 quarts of milk there is 30,000 quarts a day you would sell, whereas if you do not have the milk in reserve you would have to hold it back and manufacture it. All those conditions have to be taken in, and when they sit down and tell me that they can tell what it costs to deliver a quart of milk and cannot tell what the elements is going to do, and how many cases of public liability and employers liability that I am going to have next year, and how many thousands dollars of suits I have got to defend, I say you cannot get a true analysis until you have your inventory

and you get your number of suits and all the money you pay out for them.

COMMISSIONER FULLER: Any more than you can say whether your cow is going to have two or four teeth?

THE WITNESS: Or any more than you can tell how many of your cows are going to have two teaters, or anything else. It is a gamble one way or the other, and on all of that I want 3/8 of a cent on all the milk I sell.

Q That is an interesting statement, Mr. Horton. I simply want to ask you one question. Is that any different in the main from the conditions which attend nearly all business, that is, that there is a continuous speculation in it? A Yes sir.

Q It is different? A Than a great many businesses; yes sir. Because this is a perishable article.

Q Yes, it is different in detail. A Very different.

Q But is it different in principle? Is it any different from what every retail merchant with a miscellaneous stock of goods has? A Yes sir.

Q As to whether he is buying the articles which there will be a demand for and as to the extent of the demand?

A Well, I do not know. You might single out some certain business, and it might be very near as hazardous, but I do not think it is. Because ours is a 24-hour proposition, and there is hardly anything even --

Q (Interrupting) Well, the fundamental question in

your business is to just have a proper relation between the supply which you have and the demand upon you for that supply, the quantity, isn't it? A Just repeat that again.

Q The difficulty is in adjusting the supply to the demand? A Yes sir; that is a great deal. That is one great function in the business -- trying to divide --

Q (Interrupting) Is that the primary difficulty?

A Yes sir, I should think it was.

Q You in order to get milk have to contract with the farmers to take their output? A Yes,sir, certainly.

Q And that output as you have very lucidly described it may vary from year to year? A Yes,sir.

Q And when you contract with the farmer for his output, although you may know the number of cows that he has, you do not know the number of pounds of milk that he is going to furnish during the season; is that so? A That is one; yes,sir.

Q So, when you contract for it you do not contract for a given number of pounds, but you contract for the product of the number of cows he has? A For all the milk around that certain point where we are shipping, yes.

Q Yes, so that you cannot tell in the spring how many pounds of milk you are going to get during the season, average per day? A No,sir.

Q And there is an uncertainty as to the quantity you have? A Yes,sir.

Q Then there arises an uncertainty as to the demand from time to time? A There is now, particularly with this chaos, and when the supply has got to be adjusted from day to day.

Q Or else you will either be short of milk or have an excess of milk? A Certainly.

Q And when you have an excess of milk you have to dispose of it, do you not, by manufacturing it? A By manufacturing it; yes,sir.

Q Yes, you manufacture it? A Yes, sir.

Q That is a fundamental situation that you have attempted to describe to us, as I understand it. Do I understand you correctly? A That is one of them, yes.

Q Yes, so far as it goes? A Yes.

Q Now, that brings us to just this proposition: When you manufacture milk you manufa ture it into what? A Cheese and butter.

Q You do not manufacture condensed milk yourself? A Not at present we do not.

Q Did you ever try it? A We have started it, yes, sir.

Q Are you starting it now? A Yes, sir.

Q For what reason, may I ask, are you starting it? A Because the prospects look better in condensed milk than it does in cheese. Last year we suffered quite materially on cheese particularly, and we are going to put that in the section of the country where milk is, a large portion of it, turn it into condensed milk and evaporated milk.

Q Last year you had to put your excess milk or manufacture it into cheese? A Where the milk is running light we run to cheese, where the milk is running rich we go to butter. We can get out on each one of them -- we think we have a better opportunity -- on each one of them.

Q Yes, you are equipped for manufacturing either or both? A Yes, sir. Now we are going to try and take

our surplus next year and put it into condensed and evaporated milks.

Q Now, what I want to get at is right here, it is possible theoretically that upon the milk which you convert into cheese you may make money upon that is it not? A I could not say.

Q Practically? A Certainly.

Q And it possible that you may make -- you may lose money upon the cheese? A Most generally we always lose money.

Q You most always lose money? A Yes, a year ago this season --

Q (Interposing) Well, I am going to get to that, I want to speak of the theoretical possibilities so that we may know that our minds meet, that is all? A Yes,sir.

Q Those same propositions are true regarding butter, are they not? A Generally, yes. We buy it as cheap as we can.

Q Now, if you net a profit upon the butter or cheese or both, do you give the consumers of the milk the advantage of that profit in the price which they pay? A Do what, you say?

Q If you net a profit upon the excess milk which you manufacture into some other milk product like butter or cheese, do you give the consumers of the fluid milk the benefit of that? A I think we would if we were on the right side of the ledger.

Q Well, do you as a matter of fact? A Well, we never but one summer made a profit on cheese, and our butter--

Q (Interposing) And per contra, do you expect to charge that loss to the consumers of the fluid milk if a loss is found? A We charge it up against the business.

Q You charge it against the business? A It shows that less profit, you know.

Q Certainly, but you want 3/8% in the case of the losses? A Yes,sir.

Q And if it meant too much of a loss that would necessarily increase the price to the consumer, would it not? A It would normally, yes.

Q In order to get it? A Yes,sir.

Q Or else you would get less than 3/8 cents? A Well, we have not got 3/8 %.

Q I understand, but I want to see the effect of your proposition, that is all. Well, now, you take the cheese that you have manufactured in 1917. You manufactured a considerable amount of milk into cheese that year, didn't you? A I believe we had about 280,000 pounds.

Q 280,000 pounds of cheese? A In storage, yes.

Q And that you have manufactured? And I understood you to say that you suffered a loss on that? A Yes.

Q On that you are figuring on the present price of cheese? A Figured on the price we put it in at and also the price today.

Q Well, whether you suffer a loss or not depends on the relation between the cost of the cheese to you on manufacturing it, including the milk, and a selling price, does it not? A Yes, sir.

Q And what I ask is what selling price do you adopt, the present price today? A Well, we are selling out -- I will explain it to you. We figure that that cheese cost us 27 cents a pound put in the cooler and the carrying charges and the interest on our money today is about 28-3/4 cents. The quotation on cheese, I think, the last quotation I seen, was 26. Now, we have nearly 21 stores and we are making special sales and selling that for 29 cents a pound, and that will just about let me out on the actual cost less loss of the place, but selling it in our stores which denives no profit.

Q What has been the price of cheese during the summer time of the year, up to the present time, up to the 1st of July, less or more than it is at the present time? A I think it was less at certain times. It was less than that in June, when they put it away, May and June.

Q Has it been less at that time than it is at present? A I think the quotation for the months was up to 27 cents.

MR. ALGER: We have a map or chart giving all those variations in price.

Q Well, I want to put up is, have you or have you not had an opportunity to sell that cheese at a profit

since it was manufactured? A No, sir.

Q Could not have done it at any time? A No, sir.

Q If you had sold it at a profit would that profit in your judgment -- should that go into the pockets of the company or to the benefit of the consumers in reducing the price which they pay? A It naturally goes into -- so that we will get our profit on the whole business.

Q Well, that profit on the whole business does not quite answer the question. If you are making a profit of 3/8 of a cent a quart on the fluid milk as it was, and then on that cheese you had made a profit of $100,000.00, would you expect to put that into your dividend or would you expect to use it to reduce the price to the consumer? A It would naturally go in our treasury. I do not know, it is not likely we would dividend out to the consumer, no.

Q I want to see the proposition as stated. If the consumer has got to bear the loss of manufacturing the cheese, if the consumer in your theory of it is going to get the benefits of any profits. I want to state it plainly, and I wish to state that as you state it it looks to me as though the consumer would bear the loss and the company would get the profits extra over that -- that is in the practical operation. If I am wrong I wish you would take time to think it over and set me right, because I do not want to do any injustice to anybody. And it is a very serious matter, and it is almost as important and

serious in my mind as with you. I want to know how it is going to affect the price which is charged the consumer for fluid milk. I do not say but thatis entirely right.

MR. Alger: Competition would work that out all right.

MR. STEVENS: What is that?

MR. ALGER: Competition would work that out all right.

Q Now, let us see about that, Mr. Alger. Is the price paid by the consumers in this city practically uniform through all the distributors supplying milk?
A Why, I think that it varies some, I do not know.

Q Tell me what variations there? A These men selling milk for a cent a quart less than we do, bottled milk, small dealers.

Q But practically bottled milk, Grade "B" is 14 cents, is it not? A 14 cents a quart; yes,sir.

Q And the variations from that are too insignificant to require any attention as a matter of fact, are they not?
A That is the prevailing price.

Q The prevailing price? A Yes,sir.

Q And in the purchase of the milk has competition made a practically uniform price for the same class of milk at the same distance from the City of New York with all the purchases? A Why, we vary some. We vary a little bit

different, I guess, from anybody else.

Q Now, you pay more or less? A No, we don't pay any more in some places. For instance, our Grade "A" milk, we have a great deal of that milk that is very high in butter fat, and that costs us more.

Q Well, now, you start out, every buyer of milk in the country starts out with 3% butter fat milk, doesn't he? A That is the standard they have, yes.

Q That is the base you start from? A Yes.

Q And then you increase in price according to the increase in butter fat that has been detailed here? A Yes, sir.

Q 4 cents for ever 1/10% increase? A Yes, sir.

Q Isn't that the uniform increase of all or substantially all the buyers of milk that buy on such a basis? A There is quite a number of them, I understand, have a fixed base of 3.6, whether it is below or above they pay the 3.6.

Q Now, that is a base. Now, where they have a base of 3%, is there any difference between the prices paid by the large companies? A No.

Q Well, then, substantially, barring negligible variation the prices they pay for milk and the selling prices are uniform, aren't they? A Practically.

Q Yes, and that is the result of fierce competition? A Well, I suppose it is.

Q Yes. A I suppose you would call it competition.

Q Well, the competition manifests itself in other directions and in the prices paid and the prices received, does it not? A Well, there have been more on the same basis ever since a year ago last October.

Q Well, it has got there on unrestricted competition, on that basis, has it not? A What, the buying and selling?

Q Both, the price paid and the price received, the different dealers are practically uniform for all our purposes? A The price of buying is made out by -- the same by the agreement of the League.

Q Of the what? A Of the League. We generally follow the League prices and pay what the League -- according to this agreement.

Q The League in other words combined and insisted upon such uniformity, did it not? A Why, they made a price. They figure that the farmers claimed that they could not make milk --

Q Well, they stopped competing, and combined, in other words? Isn't that the result of it? A Yes, we have had, since the League -- We have not bought milk individually at certain places at certain prices.

MR. ALGER: May I ask Mr. Horton just one question, Mr. Stevens?

MR. STEVENS: Certainly.

MR. ALGER: Mr. Horton, if the price of milk for cheese and butter were in excess of the price you are paying for milk for liquid sales in New York, how much milk would you get from the farmers for liquid milk, if you did not meet and better the butter and cheese prices? Would you get any?

THE WITNESS: No, certainly not.

MR. ALGER: So that when it gets down to a question of the effect of competition, and whether the consumer would get that reduction which Mr. Stevens is asking about, on your loss by surplus, if the butter and cheese price went up, so that the actual value of milk for butter and cheese prices were higher than what you had been paying for liquid milk purchased in New York, you would have to meet that competition in the country, wouldn't you?

THE WITNESS: Why, certainly.

MR. ALGER: In other words, you would have to pay whatever -- you would have to pay under the competition with butter and cheese at the high prices, the price which would make the farmer deliver you the milk for liquid milk in New

York, and that would eliminate the possibility of helping the consumer out.

THE WITNESS: The farmers that produced milk for the consumption of New York, naturally have got to be paid at all times more than the farmer who produces milk to be manufactured. There are certain sanitary points there that have got to be obtained; that it costs the farmer more to make the milk for this; and whenever -- which I never remember in ten years -- we have bought milk for less than we could make in cheese -- it was just one month in the last ten years. Naturally it has got to be that way; it costs the man more to make that milk, and you have got to pay more for it. If you did not, you would not get the milk here, because if the farmer is going to get milk for less care, he is not going to sell milk to the milk man. You have always got to expect that.

MR. STEVENS: Well, that is not the point, Mr. Horton, that we have been discussing, if I understand your remark. The proposition that you addressed yourself to, -- and I think it is a very important one -- is this, that if your company's principal business and all the business that it really cares to indulge in, is the sale of fluid milk, so far as it is handling milk, it follows that you have got from time to time, under this condition of demand and supply that you speak about, to convert some of the milk that you buy into other prlducts like butter and cheese.

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THE WITNESS: At certain times of the year we have to do that.

MR. STEVENS: At certain times of the year, that is indispensable.

THE WITNESS: Yes sir.

MR. STEVENS: Now, if that is treated as a by-product -- it is a by-product -- all that I think that anybody could reasonably require is that it be treated uniformly; that is to say, if there is any profit made out of it, the consumer should get the benefit of it, and any loss the consumer should bear it, or the stockholders of the company should bear the loss and reap the profits; have a uniform thing, but not arrange it so that the consumer will suffer the loss and the stockholders reap the profits.

That is the only objectionable feature about it. Treat it one way or the other; and I do not know which would be better, that is a matter of detail. The only thing that I am objecting to is giving the profit to the stockholders and the loss to the consumer of the fluid milk, which is perfectly possible upon the 3.8 of a cent profit that you talk about on a quart of milk, if I understand it, when you get to the practical figuring out.

MR. ALGER: Mr. Stevens, may I interrupt just a minute? One point you overlooked, and that is this: If the price goes up so that it is more profitable to the farmer to sell his milk to a cheese factory, he is going to get

that profit, and not the consumer; because he will say, "My milk hereafter goes to the cheese factory; I am not going to sell liquid milk to the city of New York if I can do better somewhere else."

MR. STEVENS: That is entirely --

MR. ALGER: It is a theoretical process.

MR. STEVENS: That is entirely true, but at the same time you have got to remember, so far as the farmer is concerned, that the amount of milk which can be converted into cheese and sold -- that will adjust itself. You get too much in there and the price of cheese goes down, and then he loses again.

MR. ALGER: Certainly.

MR. STEVENS: There is a continual competition between products.

MR. ALGER: The thing I am thinking of is this: whoever gets that profit, if the theoretical butter and cheese price goes too high, we have got to meet that competition, the Dairymens League to the contrary notwithstanding; we have got to meet that competition, and we have got to pay the price which will produce that milk for New York.

MR. STEVENS: Well, now, that brings up another very interesting question here, you see; and it is one which you have raised in anticipation of what I was going to get up to.

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I was going to take a half day, and it will take five minutes more with Mr. Horton.

MR. ALGER: All right.

MR. STEVENS: And that is just this proposition: I want to get Mr. Horton's judgment as a practical man on the question of whether the uniform price to the consumer in the city of New York, we will say, of 14 cents, should be charged the year around, or whether the price should not be lower in the summer and higher in the winter. That is what I want to get at.

MR. ALGER: Let us see what he says about it.

MR. STEVENS: So far as my discussion is concerned, it all goes to that.

MR. ALGER: I see.

MR. STEVENS: I am perfectly well aware it involves all of these considerations you have just spoken of, and others; but is that a feasible and practical thing?

THE WITNESS: Well, I would answer that in this way: That I believe there is competition enough in this city -- that there is not, but it has been -- that there is not a sufficient margin of profit in the operation of the business, an unwarranted profit; but what that will naturally weigh itself; that the minute that there is a profit that is unwarranted that competition will drive down. That is what I am working on now. That is the reason --

MR. STEVENS: But, Mr. Horton, here is the

situation. You say that with the exception of the months of September, your experience is a profit.

THE WITNESS: Some months more and some months less, yes.

MR. STEVENS: Yes, but it is a varying profit.

THE WITNESS: Yes.

MR. STEVENS: But still a profit.

THE WITNESS: Yes.

MR. STEVENS: Well, on the contrary, the Borden people tell us with equal emphasis that they have always suffered a loss and expect to suffer a loss in certain months; and they make their profits in substantially May, June and July.

THE WITNESS: Well, that is —

MR. STEVENS: (Interrupting) Well, now, if that is the situation, you see, it excites a great deal of curiosity in the mind of the consumer; whether, if you are reaping the profit in December, whether you are not reaping an excessive profit in June. Where, on the other hand, with the people who are losing it in December, it equalizes up. Do you seethe point I make?

THE WITNESS: Yes.

MR. STEVENS: Now, I would like to hear what you have to say on that points.

THE WITNESS: Well, there are certain months in the year that your profit is practically nothing, but still

you have a profit. You asked me what months.

MR. STEVENS: Yes.

THE WITNESS: Now, you take it in November and December. Generally the first of January the price goes off to the farmer, then you commence to make more money; but there are certain months in the year that you hardly balance one with the other; so consequently you have got to make some months a larger profit. If you do not you can make no profit at all. You can't regulate.

What I mean to say, that every month you have a fixed price, that the profit you are working on that month, you can't vary that very well. You have two --

MR. STEVENS: Well, then, as a matter of fact, are there months in which you don't expect to get your 3/8 of a cent profit?

THE WITNESS: Why, certainly there are.

MR. STEVENS: Now, what months are those?

THE WITNESS: Well, now, this year we actually lost money in the month of January, which is an unforeseen thing. We actually lost money in March, which we never did before. Now, you ask me what the profit was.

I remember September, this year, showed a profit of -- of course, we do not take an actual inventory -- of $4000 on a million and a half of business, a million and a quarter. We got -- we did not get the red ink.

Now, you take --

MR. STEVENS: Now, what was your profit in the month of June?

THE WITNESS: Well, that I could not tell you, what it was, but --

MR. STEVENS: What was it in the month of May?

THE WITNESS: I can't remember what the profits were. That I could not tell you, what they were in the month of April. As I say, March they -- I had them go over the balance sheet -- of course, we take our inventory at the end of the year.

MR. STEVENS: Yes, but now let me put the proposition right up to you, Mr. Horton, plainly. Suppose your experience in the month of January was yet o come without the price being fixed by this Commission. You should net a loss?

THE WITNESS: Yes.

MR. STEVENS: This Commission is demanded to find out what the cost will be, and give you that profit in January?

THE WITNESS: Yes sir.

MR. STEVENS: We will call it 3/8 of 1 per cent on a quart of milk. In other words, it is directed to give you a larger profit and every other distributor in this city, than what you have been expecting in the winter months.

THE WITNESS: It should.

MR. STEVENS: Do you understand that proposition?

THE WITNESS: It should, because a larger profit in the winter, that is going to out down in the summer.

MR. STEVENS: Well, now, suppose you are left alone in the summer and continue to reap the large profits of June and July; how does that affect the consumer?

THE WITNESS: Well, it would affect those that stayed in the city. What was that, did you say?

MR. STEVENS: Why, if you reap a profit, suppose in January you get a profit of 1/8 of 1 per cent?

THE WITNESS: Yes.

MR. STEVENS: And in June you have a profit of 5/8 of a cent?

THE WITNESS: Yes.

MR. STEVENS: And for the two months you have got your 3/8 of a cent, hawen't you?

THE WITNESS: Yes sir.

MR. STEVENS: Yes. Now, suppose this Commission gives you a profit for the month of January, which you think is fair, of 3/8 of a cent on a quart?

THE WITNESS: Yes.

MR. STEVENS: And then you are left to your own devices in the operations of commercial conditions generally, and you reap a profit of 5/8 of a cent in June; for the two months you will have a profit of 8/8 of a cent, won't you?

THE WITNESS: Yes.

MR. STEVENS: Yes, or an average of 4/8 of a cent,

half a cent on a quart.

THE WITNESS: Yes sir.

MR. STEVENS: I think that the danger in this price-fixing here is that you may get a profit which on the whole, the year 'round, would give you what you concede to be an excessive profit.

THE WITNESS: Yes sir, that would be --

MR. STEVENS: Do you see the mathematical problem?

THE WITNESS: I see it.

MR. STEVENS: Well now, what is your solution?

THE WITNESS: Well, my solution is, as far as you can figure -- I should figure to give them on an average of the year for the 3/8 of a cent.

MR. STEVENS: Well, what is going to happen in June then? Average for the year?

THE WITNESS: Well, if you put in January, January ought to really, in our business -- ought to be a good money making month.

MR. STEVENS: Well, now, confine yourself to the theoretical proposition. I have put up a hypothesis to you, which you and everybody recognizes represents an actual state of affairs. Now, how are you going to meet that condition in fixing this price? You are a man that is going to be affected by the price, and I want to get your view on it?

THE WITNESS: I could not tell you how to fix

talking about.

MR. STEVENS: Yes. Well, it is of some substance, isn't it?

MR. ALGER: Yes, it is.

MR. STEVENS: That is all I have to ask Mr. Horton.

MR. ALGER: It is one of the great difficulties of this Commission.

MR. STEVENS: It is what?

MR. ALGER: It is one of the great difficulties that confronts this Commission and confronts the farmer, as well as ourselves.

MR. STEVENS: Well, it confronts everybody, and the sooner we recognize the fundamental problems in this matter the sooner we will get them solved. Now, I have tried to put that problem up as plain as I knew how.

MR. ALGER: Yes.

MR. STEVENS: That is all I have to ask Mr. Horton. I have nothing to ask him that compares in importance to that; and I want him to think about it, and I want him to give us a solution, how to handle it.

MR. ALGER: You do not have to answer now. We can talk that over.

MR. STEVENS: Oh, you did not give me an answer which is suggested to me, to my question, of what your opinion is about having either a uniform price, we will say, of 14 cents for the year, or of having -- using an

illustrative figure only -- 13 cents for summer and 16 cents for winter, or something of that kind; in other words changing the price.

THE WITNESS: Well, I am afraid if milk is advanced any higher than it is, that it is very materially going to affect a hundred times more the bottled milk than it has. It becomes an absolute luxury, and I hope that I won't live long enough to have to put it up again.

MR. STEVENS: Well, you do not want to see the price go up?

THE WITNESS: Not to the consumer; I would rather suffer a loss untold.

MR. STEVENS: Well, that is going to diminish the consumption, the minute you do it.

THE WITNESS: In bottled milk particularly.

MR. STEVENS: Suppose this problem is confronted to the Commission, that at the present time the farmer is producing milk at a loss, and the distributor is distributing at a loss and selling it at 14 cents. What is the Commission going to do about it?

THE WITNESS: I do not know whether we are yet, until we get November. That is the highest price. When I get November, I will know whether I lost money. I did not lose money in October.

MR. STEVENS: Well, suppose that condition is presented -- this is a pure hypothesis -- I am trying to

find out what the facts are.

THE WITNESS: Yes.

MR. STEVENS: But that is a possibility, at least.

THE WITNESS: Yes.

MR. STEVENS: Because there is evidence here on the part of the farmers that they are actually losing money at present prices they are receiving.

THE WITNESS: Yes.

MR. STEVENS: And there is evidence here that the distributors are actually losing money at the prices they are receiving. Now, suppose the Commission finds that to be the fact -- and I venture no statement of opinion on that, of course, because I do not know anything about it -- but suppose that is the fact; what are you going to do about it? What would you do about it?

THE WITNESS: What would I do about it?

MR. STEVENS: Yes.

THE WITNESS: I would have the farmers work out every efficiency, and the greater per cent of them that made money, I would pay them the money it cost to manufacture the milk; and the same way with the purveyor here.

MR. STEVENS: What are you going to do with this next three months, January, February and March?

THE WITNESS: I should weigh it up pretty carefully, and if they are really losing money, they should get more than they are getting today.

MR. STEVENS: That would increase the price to the consumer, wouldn't it?

THE WITNESS: What is that?

MR. STEVENS: That would increase the price to the consumer, wouldn't it?

THE WITNESS: Not unless I actually lose money.

MR. STEVENS: That is what I am saying, you are actually losing money.

THE WITNESS: I do not know until after I get November sheet in. If I went through November, and was on the right side of the ledger, and the price went back to November prices, I would hold the price right where it is.

MR. STEVENS: Well, now, suppose it turned out on your November business that you are neither losing nor making; then, do I understand you that you are willing that this Commission should keep the price where it is, although it would eliminate any profit for you for the month of January or December?

THE WITNESS: You mean me, or the whole industry?

MR. STEVENS: I mean you, your company.

THE WITNESS: I will stand pat.

MR. STEVENS: Well, you mean by that that you do not want the price to go up?

THE WITNESS: I do not want the price to go up.

MR. STEVENS: You simply do not want to suffer any loss?

THE WITNESS: And if you do not cut me down in the summer time, I will get it back somewhere, I think, and in this consolidation, taking off these wagons -- over 700 wagons have been taken off in greater New York now. If they go and move on -- of course, we have held back, afraid of the Sherman and Donnelly Act -- well, I say, I am going to do this business, and I am going to get together.

MR. STEVENS: Well, the proposition comes right here -- we might just as well face it, and this is a pretty interesting session. As long as all the members of the President's Cabinet are advising the violation of the Sherman Act, I do not believe Mr. Horton's hope of going to jail will be realized.

MR. ALGER: Not if I can help it.

THE CHAIRMAN: We will keep you out of jail, Mr. Horton.

THE WITNESS: Of course, I will tell you, Mr. Stevens, we have been afraid to do anything. Up to the present, when this company was consolidated, it was called a trust, a monopoly. We have been in the lime light for years. The larger dealers have even signed notes, loaned money, got them goods, to keep the little fellow going. Why? Not because we had enlargement of the heart, but for protection, to have some business.

Now, it has got to that proposition; the pendulum of this great trust has flown clear over the other way.

Now, I say, step in; I am advising them to consolidate, get together. Five companies in one, over in Brooklyn, are ready. We have taken one business over here that was a competitor, seventy odd wagons, in New York City. We have taken over a business in Brooklyn, fifty odd wagons. We are getting at any business. Any man that has any business worth a cent, any trade of any value, and he is willing to accept our stock at our book value, we will take his business, and we will suffer the consequences. And there will be seven hundred wagons more go off the streets. Those economies are going to be worked out; they have got to be worked out, whether your Commission says so or not; and the price we charge will not be an unwarranted profit.

MR. STEVENS: Well, here is the question, Mr. Horton. I will repeat it, although it has been given.

THE WITNESS: Yes, I know; they want you to get statistics and figures.

MR. STEVENS: No, no, you don't see what I am getting at. I am getting at something that affects your pocketbook and your dividends.

THE WITNESS: Yes.

MR. STEVENS: Now, let me read you this proposition: (reading) "And said Commission is authorized, empowered and required to find from the evidence offered, if possible, the cost of delivering milk to consumers in the city of New York and in other cities of said state. If occasion arises

so to do, including in the said cost the railroad transportation charges from the point of origin; and if such cost of distribution cannot be shown to a mathematical certainty, then to determine such cost according to the Commission's best judgment, based upon the evidence offered relating thereto; and when the cost is so determined by either of said methods --" Now, your attention -- "to further determine what would be a reasonable and fair profit to the distributors of milk, adding the same to the amount found as the cost of distribution; and the sum of the two shall constitute a just and reasonable price for milk charged by the distributors to the consumers in the city of New York", and so forth.

Now, I understand you, that if the Commission should find that those costs of distribution alone amounted to 14 cents to you, that rather than have that price of 14 cents raised you would be willing to eliminate the profit for the month of January and December?

THE WITNESS: Certainly.

MR. STEVENS: That is the proposition.

THE WITNESS: Yes. If it is not too serious. I do not know what --

MR. STEVENS: Why, I am not speaking of cutting off any cost.

THE WITNESS: yes.

MR. STEVENS: After adding up all these costs,

that you would -- rather than have the price go up -- you would rather cut the profit out of 3/8 of a cent; that is what I am talking about, because you concede that that is a reasonable profit.

THE WITNESS: Yes, I am willing to cut it out.

MR. STEVENS: Well, that is all I wanted to get at. That is all, Mr. Horton.

MR. BAIRD: Mr. Horton, may I ask you a few questions?

THE WITNESS: Certainly.

MR. BAIRD: You say that many of these statistics on costs that are provided, don't balance in the end with your bank book?

THE WITNESS: Yes.

MR. BAIRD: And that at the best it is a guess, a guess figure?

THE WITNESS: To a certain degree it is, certainly.

MR. BAIRD: Now, do you think that it is possible for the distributors between now and next Wednesday to arrive at figures which will be approximately accurate?

THE WITNESS: They will be.

MR. ALGER: Figures on what?

MR. BAIRD: Figures on the cost of distribution.

THE WITNESS: For what? For one month or for a year?

MR. BAIRD: Upon which this Commission can

predicate a conclusion.

THE WITNESS: There are so many things entering into it, you can't pick out a single month to guide the business for the year?

MR. BAIRD: Now, I have paid some attention to your testimony, and it is very refreshing to hear you speak so frankly. I have also looked into the capitalization of your company, and I gather that your organization is a highly efficient organization.

THE WITNESS: I sometimes have my doubts.

MR. BAIRD: Well, I mean the figures, Mr. Horton, seem to indicate -- that is, the growth, steady growth for the past fifteen years, your organization has been very remarkable?

THE WITNESS: Yes sir.

MR. BAIRD: And the financial statement you have been able to show was splendid.

THE WITNESS: Yes sir; we are proud of it.

MR. BAIRD: Now, we have not been able to find out exactly on what basis you are working. What is your capitalization?

MR. ALGER: Now, Doctor Jordan, I don't suppose at this time, unless the Commission requires it, to go into the question of capitalization, the previous history of the Sheffield Farms Company, for any collateral matter at this time. If at a later date when we have got this matter which

is pressing, worked out, this Commission desires to know the physical value of this company's properties devoted to this business, we will give you all the information you desire on that score. But I do not think that at this time we should be taking up, either as to the Borden Company or the Sheffield Company, its property, because if you do that you are going to take an awful lot of time, and it does not relate directly to this question which you have before you.

THE CHAIRMAN: I think the Commission, through its counsel, has made it perfectly clear that it is useless for us to begin and inquiry at this time into matters of capitalization, because if we do go into that we have entered a long road.

MR. ALGER: I want to make myself absolutely clear, Doctor Jordan, because whereas I have said nothing up to this time on this matter, Mr. Baird made requests twice, I do not want to seem, either with reference to the Sheffield Company or the Borden Company, to be refusing to give information. That information can be had, but it does not seem to me that it is germane to this issue, in the time that we have got to take this thing up. Any time before you are through with your inquiry, if you want to know anything about it, the knowledge will be forthcoming.

THE CHAIRMAN: The Commission has made it clear, I think, that we are a continuing body; that we hope to give further consideration to the questions of economy, and

expect to do it.

MR. ALGER: Yes.

THE CHAIRMAN: And it is absolutely useless, with all respect to counsel for the consumers, for us to enter that road at the present time.

MR. BAIRD: Well, I press the question.

MR. STEVENS: Mr. Baird, allow me to call your attention to the fact that this particular witness has stated on the record here that so far as his company is concerned, he is willing in fixing the price of this winter, to eliminate every cent of profit rather than have the price raised.

All questions regarding capitalization and value of the property used, relate exclusively to that 3/8 of a cent profit, and to nothing further which enters into the price of 14 cents.

MR. ALGER: May I, just before you get to that --

MR. STEVENS: You see, the capitalization of the company, whether it is watered -- suppose every dollar of it is watered, all those facts relate to only the 3/8 of a cent on a quart, while the cost of distribution, and the cost of production make up all the rest of it. And so I wish to say again for the benefit of the consumers, that the plan which I laid out was in my judgment to protect their interests so far as possible, by actually directing our attention to the 13 cents and 5/8 of a cent of cost,

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as against on the other hand 3/8 of a cent profit. Now, if we should find that the cost of distribution and the cost of production altogether amount only to 12 cents, then there is something to talk about, in addition to that, you see, because they are getting more than their 3/8 of a cent. These distributors have, so far as they have expressed themselves at all -- and I am going to say right here now, unless they express themselves differently through their counsel next Wednesday, that the Commission will undoubtedly assume that 3/8 of a cent is a maximum of profit -- they may find it less, but they themselves by their own act reduce it to 3/8 of a cent as a maximum profit; and if the Commission can show on good reason that it ought to be less -- if they allow a profit, it will either be that or less. Is that a fair proposition, Mr. Alger, so far as Mr. Horton is concerned?

MR. ALGER: Why, the 3/8 of a cent represents what we would consider would be a fair profit on all the milk which we buy.

MR. STEVENS: Yes, but he says on what he sells. That is a matter of argument.

MR. ALGER: Well, it makes a considerable difference.

MR. STEVENS: Now, there is a point that we have been devoting ourselves to; what makes up the 13 and 5/8 cents?

MR. ALGER: Certainly.

MR. STEVENS: And not the 3/8 of a cent. I thought that would solve itself?

COMMISSIONER SHEDRICK: I don't think Mr. Horton just gets the difference between what he buys and what he sells.

MR. ALGER: I would like to ask Mr. Horton that question.

MR. STEVENS: I think he does, Mr. Shedrick, only he expresses it in different terms.

COMMISSIONER SHEDRICK: Perhaps so.

MR. STEVENS: He can explain that. He says it in one way, but he means precisely the same thing as you and Mr. Alger do. because, for instance, he expects the loss in milk to be reckoned in.

MR. ALGER: That is just the point.

MR. BAIRD: Mr. Chairman, I understand the statements that have been made by your counsel and by the counsel for the distributors; still I press the question, and I want to know whether the witness declines to answer it.

MR. ALGER: I decline to have the witness answer the question, unless Professor Jordan asks that the question be answered.

THE CHAIRMAN: I beg your pardon.

MR. ALGER: I am putting it up to Professor Jordan for a ruling. I think this is not a germane inquiry at all.

THE CHAIRMAN: The Chairman will rule that we shall not enter into this inquiry at the present time, Mr. Baird.

MR. BAIRD: Mr. Horton, you stated that you charge 14 cents for Grade B milk?

THE WITNESS: Yes sir.

MR. BAIRD: And 16 cents for Grade A milk?

THE WITNESS: Yes.

MR. BAIRD: That is quarts?

THE WITNESS: Yes.

MR. BAIRD: What do you charge for Grade B pints?

THE WITNESS: 8 cents.

MR. BAIRD: And what do you charge for Grade A pints?

THE WITNESS: I think it is 9 cents.

MR. BAIRD: So that you charge about 33-1/3 per cent more for pints on Grade A, and about the same on Grade B?

THE WITNESS: I do not know whether it figures that; whatever you have got it figured out, I do not know.

MR. BAIRD: When will you have your November figures ready?

THE WITNESS: I do not know; let us see --

MR. BAIRD: This is December 21st.

THE WITNESS: We will probably get them about the 7th or 8th of January, if Mr. Brown gets time. He is at work on these other figures.

MR. BAIRD: You stated that you made about $40,000 in October?

THE WITNESS: Yes sir.

MR. BAIRD: That was on a million dollar and a half turn-over?

THE WITNESS: Well, I think a million and ahalf or a million and a quarter -- about a million and a quarter, I believe. Let's see -- about a million and a quarter.

MR. BAIRD: October, taking it year by year, is not one of the most profitable months, is it?

THE WITNESS: Oh, about, I guess, on an average.

MR. BAIRD: You think it would run about on an average?

THE WITNESS: I think it would.

MR. BAIRD: I think that you have studied the milk distributing system of Paris and know something about it, do you not?

THE WITNESS: Yes, I have been there.

MR. BAIRD: You are familiar with the Magi shops in Paris?

THE WITNESS: I am.

MR. BAIRD: Can you state generally how they are operated?

THE WITNESS: The Magi people run -- had about 800 stores, except what they broke down, the day war was declared. Of course, Germany had money into them. That

practically all the milk in Paris, with the exception of a little milk, it is, you might say, on the grade of our certified, is sold at the stores. The people go there and get the milkd. At that time, before the war, they were paying 6 cents a liter. If a party wanted a bottle of milk left at their upstairs, they had little boys, and they filled the bottle, dipped it out of the can and put it in the bottle, and the boy delivered it; and they paid 8 cents for it. They paid 2 cents for the boy carrying it up.

MR. BAIRD: That systems works fairly satisfactorily in Paris, does it not?

THE WITNESS: It is the cheapest way they have got to get milk there. Paris, you know --

MR. BAIRD: (Interrupting) How does a liter compare with a quart?

THE WITNESS: Well, it is about a half a teaspoonful less, I should think.

MR. BAIRD: Half a teaspoonful less?

THE WITNESS: Yes.

MR. BAIRD: So that when you observed it, they were paying about 6 cents a quart for milk dipped out in the stores?

THE WITNESS: Well, it would be a little over 6 cents, yes.

MR. BAIRD: Would you care to enter any general observation as to whether such a system might be adopted in

New York?

THE WITNESS: Well, that is what I am trying to do.

MR. BAIRD: You think a similar system might be a good thing for New York?

THE WITNESS: Well, there are lots of stores here. We are operating stores where they can go and get the milk, the same as they do there.

MR. BAIRD: And what price do they pay there at the store?

THE WITNESS: Now?

MR. BAIRD: Yes.

THE WITNESS: 11 cents to us.

MR. BAIRD: They pay 11 cents?

THE WITNESS: Yes.

MR. BAIRD: Is it bottled in Paris?

THE WITNESS: No.

MR. BAIRD: Who furnishes the container?

MR. STEVENS: In Paris, did you ask?

THE WITNESS: For 6 cents, why they bring their container with them.

MR. BAIRD: That is, the consumer brings the container?

THE WITNESS: Brings a bottle or something, yes, or a pail.

MR. BAIRD: And it costs them a fraction over 6

cents?

THE WITNESS: That was at the time before the war, yes; and we were selling a quart in the city of New York for 6 cents.

MR. BAIRD: You were selling a quart at 6 cents?

THE WITNESS: Yes sir, in the summer time.

MR. BAIRD: What year are you referring to now?

THE WITNESS: I am referring to the early part of 1914.

MR. BAIRD: 1914?

THE WITNESS: That is in the summer, and 7 cents in the winter.

MR. BAIRD: You were selling at that price then?

THE WITNESS: Yes sir.

MR. BAIRD: I think that is all.

THE CHAIRMAN: I must suggest that we must adjourn very soon.

COMMISSIONER FULLER: Just a question: Mr. Horton, can you give us the relative percentage of management cost as to the whole cost, what percent is charged for management of your business, as for labor and other incidentals?

MR. ALGER: The total labor cost.

MR. STEVENS: There will be some figures introduced here as soon as the next witness is called, which will practically answer that question.

COMMISSIONER SCHOEN: Mr. Horton, I was up to your plant on 156th Street the other day and enjoyed my visit very much. I saw that you were equipped in that plant with just one stack of pasteurization apparatus.

THE WITNESS: Yes,sir.

COMMISSIONER SCHOEN: But that you had provisions there for three additional stacks of apparatus?

MR. STEVENS: Wait just a moment. I wish, if there is any distributor here, that he would not leave until after this question is asked, because I want to ask a few questions. Go on, Mr. Shchoen.

COMMISSIONER SCHOEN. If all those lines of pasteurizing were put in there you could pasteurize at least four times as much milk in that plant as you do today, could you not?

THE WITNESS: By adding more refrigeration and more boilers, certainly. The building is there.

Q I mean the building is there and --

A (Interposing) Yes, sir.

COMMISSIONER SCHOEN: And the pipe lines are there?

THE WITNESS: The pipe lines; yes, sir.

COMMISSIONER SCHOEN: A portion of them?

THE WITNESS: A portion of them.

COMMISSIONER SCHOEN: That might reduce the pasteurization of your milk, altogether, might cut it down?

A Of course. You have got to make an allowance, as I said, Eight years ago, that ice ought to be manufactured as a by-product of the milk business. You have this equipment running night and day and by turning over to manufacturing ice we only run milk about eight hours and bottles about eight hours, but the bottles do not consume any ice. Now, to carry that building I am selling ice. I figure that the profit on my ice pays pretty near three per cent on the whole investment of the whole plant. Now, there it is ready and when the business comes we will make less ice and pasteurize more milk.

COMMISSIONER SCHOEN: Mr. Horton, if it could so be arranged at the present moment your plant would be working to full capacity, we of course could get rid of a great many pasteurization plants in New York City that are

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here now, isn't that so?

THE WITNESS: We have capacity when we get down to pasteurizing of about one-third of all the milk that came into New York City.

COMMISSIONER SCHOEN: Therefore if all the pasteurization were centered in your plant or a plant similar to your plant the cost of producing the milk could be materially reduced?

THE WITNESS: One plant?

COMMISSIONER SCHOEN: Well, as much as the capacity of your plant is at the present time.

THE WITNESS: Well, it is according to the location, where it is, how it is located, how it is constructed and how you handle it.

COMMISSIONER SCHOEN: Just one more question. If it were possible to get the maximum capacity out of your plant and such other plants as might be erected in New York City, to how many pasteurization plants as a practical man would you reduce the city of New York?

MR. ALGER: By that you mean pasteurization plants from which wagons go for delivery purposes and from which those wagons have to get their load within a reasonable time?

COMMISSIONER SCHOEN: Yes.

THE WITNESS: Well, that is a pretty difficult question to ask -- I mean to answer, because we work on a

different unit than any other people. We believe in large units for our distributing. Take right out of the -- and you have got to have plants enough to be able to sell the supply from that plat within a radius of not over 4-1/2 miles. You see, when you load direct-- now, for instance, you take that 57th Street plant, there is a plant that runs or is built for 60,000 quarts. At certain times of the year it has been forced up to 110,000 quarts in 9 hours. The supply was there to take it away. You take the Manhattan Street plant, we run as high as 184 wagons from that one plant, and no wagon goes to exceed four miles. We load those wagons and they are so constructed and built that we load them in less than two minutes, and everything runs smooth, and the drivers are all in line. While they have the figures and they tell me that it costs more to pasteurize milk in the city than it does in the country, I know different. I don't care what figures they give me. I stood the other night when I was out on that Paul Revere ride with you people, and I saw two of our rigs come up with 200 cases, which is 2400 quarts of milk, with horses on the lead, that weighed 1700 to 1800 pounds, and the wheelers that weighed a ton, representing something like$1500, bringing over something like 2400 quarts of milk. I saw another time when they come over there just as good a team that brought over nearly seven thousand quarts of milk.

MR. NAthans: In cans.

THE WITNESS: In cans. Now, the truckman that drives that bottle truck, he can unhitch and go back and double his load, but we have to have extra men to unload them cases or otherwise he only draws one load, like they do over in Brooklyn. That other man unloads his goes back again, and that man draws 12,000 quarts of milk. If that milk had to be brought over from Jersey in bottles, 80,000 quarts, instead of taking thirteen ~~xxxx~~ teams to draw it, it would take thirty-three teams, and you are not allowed to do business in the city, and instead of having 19 city lots, we would have to have 29 city lots, to do business, and under cover. You cannot operate your business and draw the milk in that old style. It is a physical impossibility. And here is this fluctuation of supply and demand. We do not worry a bit whether we have got 2,000 cans or 5,000 cans of fresh milk on hand, besides our ice becomes full, and when the train comes along it is full, we have a leeway there, and working this ice is a by-product, making the deliveries, which is the most essential thing, which built the reputation possibly of the Sheffield Farms Company -- what was it? It was punctuality. It does not pay to hire help and send them out into the streets to tell the people that you have not got enough milk for them. You will never get a dividend out of such principles as that, and if it was not a success, why wouldn't we

be in bankruptcy. Why wouldn't we be in bankruptcy? This man standing here says he thinks we are making an awful pile of money because we have only a little bi of stock and a little bit of tangible assets, which are only dollars and cents.

MR. ALGER: Never mind that.

COMMISSIONER SHEDRICK: Mr. Horton, just as a matter of record, you stated to the commission, and I listened very carefully -- you stated to the commission definitely that rather than see the price to the consumer further raised that during certain months --

THE WITNESS: (Interposing) I said for the next, I did not say for life.

COMMISSIONER SHEDRICK: That is the point I want to bring out. Now, you would not be willing to have that done unless you knew that during the balance of the year some commission or some other body could assure you a price at which you would make a profit?

THE WITNESS: I expect to get my nose in the trough sometimes.

THE CHAIRMAN: Mr. Stevens have you another witness?

MR. STEVENS: Yes, I wish to say: Are there any other distributors in the room? Has any one any dissent to take as to the position Mr. Horton has taken on the question of profits and raising the price? If so, I want to hear it.

MR. ALGER: There are only two here.

MR. STEVENS: Well, two are as good as forty as far as that is concerned.

MR. ALGER: What it gets down to, if I understand Mr. Horton, is this: That he is willing as far as his company is concerned to go along without profits for these two months, provided he is assured that in the later months yet to come in the year he is going to have enough profit to give him a fair return which he considers as 3/8 of a cent for each quart of milk which his company buys.

MR. STEVENS: I do not think anybody else understood him different.

THE CHAIRMAN: Yes, that is what he said.

MR. STEVENS: Mr. Chairman, just a word. Mr. Kracke has got several exhibits here. I have been over them outside and got a full explanation of the theory on which they were prepared, and how they were prepared. I submit that it will answer the purposes of this commission simply to introduce them in evidence, with a few questions showing how they were made, without attempting to read in the figures at this time, unless some commissioner wishes to have some definite figures from them. Unless that is so, we will omit that, in order to get through and hear Mr. Horton.

E D W A R D a/A. K R A C K E, the witness of the Distributors, was recalled:

BY MR. ALGER:

Q Mr. Kracke, you have prepared some figures from the accounts of certain of these distributors, have you not? A I have prepared them not from the accounts, but from the data that they have worked up under my instructions from their accounts.

Q Just tell us what these are, briefly what the accounts are which you prepared and how you prepared them? A Well, last week we got the accounting representatives of the Sheffield Farms Company, the Empire State Dairy and the Alexander Campbell Milk Company and the Borden Farm Products Company together and explained that it was necessary to work up some data for the month of October showing what the detailed costs were of bottled milk, whether sold wholesale or retail. Of course the Borden Company had its statistical or detailed costs for the month of October, which were produced by its costsystem, sometime in operation, but the other companies had no detailed costs system for furnishing these figures. So we devised an impromptu cost sheet and asked these accounting officers from the three companies, the Sheffield Farms, the Empire State and the Alexander Campbell Companies, to reduce any figures of the impromptu cost sheet, the total operations for the month of October, by taking their total expenses as shown by their books and adjusting them so that the month of October would represent the figures apllicable in entirety to that month, and then spread the various expenses over the entire products disposed of during that month,

handling each item of expense according to the best knowledge at hand, as to how it should be distributed over the products sold, and the figures as summarizef on these figures here represent the data which was returned to us by these accounting officers after having made analyses of their October accounts.

Q Now, you are putting that in in the form of how many exhibits, Mr, Kracke? Your previous remarks have related to which exhibit? A There is an exhibit here which shows for those four companies, and the total of the four together, the sales, total cost of sales, and the net profits on country bottled milk sold retail. The same data for city bottled milk sold retail and country bottled milk sold wholesale and city bottled milk wholesale. A supporting detail sheet --

MR. ALGER: I will have that exhibit marked at this time.

(Simmary sheet submitted by the witness Kracke and sheets numbers 1, 2, 3 and 4, marked as one exhibit, Exhibit No. 37, copy of which will be found at the end of this day's session.)

THE WITNESS: Then we have four additional sheets which support the total of costs shown on the four mentioned exhibits, and which show on the sheet No. 1 the cost of the country bottled milk, whether sold wholesale

or retail up to the point of the delivery expenses -- delivery and other expenses -- and the same spread of expenses for the city bottled milk, whether sold retail or wholesale.

Q That is on No. 2, the second sheet, in other words, of this exhibit? A Yes, up to the same point. And the third sheet shows the expenses from the point left off on sheets 1 and 2 for the bottled milk, whether country or city bottled, sold retail. The fourth sheet picks up the cost where left off on sheets 1 and 2 for the country and city bottled milk, sold wholesale. Now, these sheets, the details shown, are in as great a spread as we could work up in the very limited time at hand, and considering further the fact that the three distributors named did not carry any detail cost systems, and that it was a matter of working from whatever records they had on hand and doing the very best with each set of figures in making this spread over the quantities handled during the month in arriving at this cost. In ibly one or two items in further working over our figures may indicate some changes that should be made and/if such changes areso indicated, why, they will be communicated to the commission as to where changes should be made on these figures.

MR. ALGER: That is all for Mr. Kracke.

L O T O N H O R T O N, witness for the distributors, was recalled.

MR. STEVENS: Mr. Horton, we will take up your statement for the next ten minutes, and we would like to hear what you have to say about the milk situation given in your own way.

THE WITNESS: Well, I have a map here of the distribution of the business, but I guess you are too busy to see how the routes are laid out.

We have 904 retail wagons in Greater New York. We make 189,802 deliveries, that is the week ago last Thursday. Including the quart of milk, two pints for a quart, half a pint of condensed milk, half a pint of cream, we call it a point. We delivered in milk 228,614 quarts. The 904 wagons made an average of 210 stops. That is their regular stops to deliver milk. The average per route for points for the whole 904 was 241 points, and with the other, the loose milk that I told you about, in pails, brought their wagons up to 261 points per wagon. The average quantity to those customers was 1 quart and 2/10 to the delivery.

MR. ALGER: Can you state right there, Mr. Horton, how much of a falling off that is on your wagon loads average, or don't you know?

THE WITNESS: Well, of course you take off the number of wagons our average route, the number of points

has gone down about -- it runs in each month from 15 to 18 points. The number of farmers we have is 3,823, amount of checks we draw, is 5,888 in last month.

Now, here is something I want to draw your attention to. A year ago this June we bought 36,680,872 pounds of milk. We paid the farmers $519,318.29. This June, 1917, we bought 35,540,318 pounds of milk and we paid the farmers $764,096.22, which is a quarter of a million of dollars more on the turnover on the first cost. Now, that is working capital that you have got to have in proportion to what you done in business a year before -- that much more working capital, and if you have not got it you have to borrow it.

COMMISSIONER FULLER: Right there, Mr. Horton, your payments to the farmers are of what date?

THE WITNESS: From the 10th to the 15th.

COMMISSIONER FULLER: From the 1st to the 15th you pay?

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: So that part of the time they are six weeks behind, and by the time --

THE WITNESS(Interposing) They get it.

COMMISSIONER FULLER: That is, on the 15th they would be 6 weeks behind in the payment?

THE WITNESS: Yes.

COMMISSIONER FULLER: So the farmer helps you out a little on that, does he not?

THE WITNESS: Yes, but our customers do not help us out, either.

COMMISSIONER FULLER: The farmers help youout on that, don't they?

THE WITNESS: No, they do not. We practically have to have on the last day of the month, on a good sound basis, should have money enough in our treasury to pay the farmers. I don't think the farmers help us out.

COMMISSIONER FULLER: It is one month behind?

THE WITNESS: No.

COMMISSIONER FULLER: You pay on the 15th for a month ahead.

THE WITNESS: For the month back, yes, but we have to commence to get those checks out on the 7th so as to get them to them by the 10th. Amount of entries, that is, that has to be made with our drivers -- you feel that drivers don't work only in selling in delivering the milk, but we made 189,802 entries that has got to be made 7 days in a week.

MR. ALGER: Every day.

THE WITNESS: Every day that they have got to come in, get their money, and the number of the customer, get the sheet and everything else, they are bookkeepers and collectors.

MR. STEVENS: Let me correct you. I do not think that anybody supposes but what the drivers are working

about as hard as anybody ought to be worked in 24 hours.

THE WITNESS: Yes,sir.

MR. STEVENS: I have that impression very decidedly.

THE WITNESS: Our clerical force, our clerical entries would be 250,000 entries a day or -- the treasurer's department and the paying department amounts to at least 100,000. The City National Bank, the largest banking system in the United States has seventy-four departments, and only has 800,000 entries. We do as much as clerical work as the City National Bank, the biggest institution of the world, that you don't consider -- the average person don't. Our wage per capita in July, 1916, of our employes -- this only included drivers, inspectors, stablemen, girls, boys that carry the baskets, and of that class -- our wages per capita were $16.58.

MR. ALGER: For how many employes?

THE WITNESS: Two, four hundred and twenty four, in New York City, in Greater New York. In December, 1917, the per capita was $21.05, and still going.

MR. STEVENS: For what period of time?

MR. ALGER: For how many employes this time?

MR. STEVENS: For what period of time?

THE WITNESS: One week. That makes $10,825.24 per week increase, which as you know is $525,000. That is

an increase in salaries.

MR. ALGER: And you had 2,424 employes before and you have 2,173 employes now; is not that right?

THE WITNESS: Yes, whatever that is. 2100, yes.

MR. STEVENS: Mr. Horton, right there, I do not wish to interrupt you, but can you tell us approximately what proportion of your annual expenses is chargeable to labor?

THE WITNESS: Of our whole expenses?

MR. STEVENS: Yes.

THE WITNESS: It shows on our balance sheet.

MR. STEVENS: Outside of what you pay for milk, I mean. Your distribution expenses.

THE WITNESS: You mean all of it?

MR. STEVENS: Out of your total expenses first deduct what you pay for milk, second deduct what you pay for freight on the railroads, call the remainder distribution expense; what proportion of that total sum is paid out in that way for labor?

THE WITNESS: I do not know.

MR. ALGER: What is your best guess, your best estimate?

THE WITNESS: That is like an estimate on the weight of your wife, and you put a stone on one end of the bank and she is on the other. You will have to go to the clerical department.

MR. STEVENS: I have asked for it, but I did not know but what you had it in mind. I have asked them for that proposition and it is exceedingly important.

THE WITNESS: I know it is.

MR. STEVENS: Because the expenses of what you have to pay is beyond your control, just as it is beyond the farmer. The farmer pays practically 50% at the presenttime for his feed and he has nothing more to say about it than I have. Practically in round number 24% more is for labor, and he has to get it and he does not even get it. That is 75%. The cost of production is utterly beyond the control of the farmer. I realize that what you have to pay for labor is beyond your control.

THE WITNESS: Now, the weights that we have to confront. I suppose you have got those weights, though. A steel case without ice -- we use a great many steel case-- weighs 60 pounds, holding 12 bottles. The wooden case without ice weighs 57 pounds. The wooden case with ice, weighs 64 pounds and the steel case with ice weighs 69 pounds 40 quarts of milk in cans weighs 119 pounds as an average.

THE CHAIRMAN: Can and all?

THE WITNESS: Can and all. Now, I think, Professor, that I heard you ask about the price of butter fat at three per cent, and how it scaled for the different prices, didn't you?

THE CHAIRMAN: Yes, allowing four cents a unit for the increase.

THE WITNESS: I will give it to you. 3% at $3.10 that is what we paid for this month and October, a hundred pounds equals in butter fat, including the solids, $1.03. With a 15% overrun it would equal 88 cents a pound, which is about an average. 4%, which with the increased 4% butter fat would be $3.50 under the equivalent in butter fat would be 87-3/4 cents, with the manufacturing of butter, without the cost 76 cents a pound.

5% per cent milk we would pay $3.90 for 100 pounds, which brings the butter fat to 78 cents, and the butter at 68 cents. Now, to show you the weights and the tonnage we estimate, we will say, in total, that there is 2,000,000 of quarts of milk and cream and condensed milk coming into this city, 2,000,000 quarts a day, and we will estimate that it takes 200 cans of milk into a car, not including the bottles. That car would have in weight in cans, none of the bottles, 23,800 pounds, and on 250 cars it would be 8,000 quarts to the car -- the actual weight -- and there would be 5,954,000 pounds, that has to be moved within four hours from the time it lands at the depot. You cannot tell me of any business that is done as quick a time as that milk business is done. Time is everything.

Just think of it, you have no idea unless you

went over and got a glance of it, the tonnage that is moved from half past ten o'clock at night until four o'clock the next morning. Just think of it, 250 carloads.

MR. ALGER: That has got to be moved then or it is no good to anyone.

THE WITNESS: When you come up against a storm like this you have got to have the excessive power, the machinery to move that against the conditions that you have got a 75% increase, and take it in extreme hot weather when a horse should not do over two-thirds of the work, you have got to handle it in some other way, rather than to try to load those horses down. If you do not you lose a large fortune in horse flesh. So we resort to the automobiles. There has got to be a certain reserve. Our deliveries, man alive, is three times better today than your postal service. Did you think of that at all?

MR. STEVENS: I wish you would not make a comparison with the Government service.

THE WITNESS: Well, it is rotten beside ours. It is rotten, and think we are working on a margin of three cents a quart, and what do we pay, 2 cents for a postage stamp, with no responsibility but to bring it next door.

THE CHAIRMAN: I wish we could continue this, but the time for adjournment has arrived.

MR. STEVENS: Won't you file those papers with us?

THE WITNESS: Here is a statement for six months. In butter we manufactured 7,275,000 pounds of milk into butter; we manufactured 14,000,000 quarts of milk into cream. I am not covering the cream in this very fully. But we made into cheese 5,208,996 quarts of milk.

In the month of July we made 2,625,970 pounds of milk into butter -- and figure what it costs us.

That butter costs us 46 to 47 cents a pound. But, of course we stored it away, and we are selling it out of our stores, and we are breaking even.

We manufactured 2,451,529 pounds of milk into cheese, and we have not looked over the fence with that yet. That is in July.

Now, of course as I tell you we dealt in futures. We bought short because we figured that the supply would be more generous than the demand. People are economizing not only in milk but in everything, and we are short in milk and we are buying on the market, and we are buying cream at break-down prices. We are buying cream for less than it cost us to make it. We are getting a little lap on it. We are going short on the market. We speculate the same as any other business. We use our judgment, and if we guess wrong we are shy, if we guess right, we make money fast.

MR. STEVENS: I wish you would leave those figures

so each one can look them over.

(Tabulations submitted by the witness marked Exhibit No. 38, copy of which will be found at the end of the day's session.)

THE CHAIRMAN: The commission stands adjourned to next Wednesday at ten o'clock.

(Whereupon, the commission adjourned to Wednesday, December 26th, 1917, for open session, at ten o'clock A. M., in the City Hall, New York City.)

Exhibit No. 38

DIAGRAM

Diagram of the City and location of the number of routes as per map.

904 Retail wagons in Greater New York

189,802 deliveries.

Number of points, that is to say, counting 2 pints of milk a point
1 quart a point
½ pint of cond. milk a point
1 quar t of but. milk a point

Making 238,614 quarts.

The 904 wagons average 210 stops, besides making deliveries of 18,787 qts
Mostly one half of it, which makes a total of delivery of qts.
of milk from wagons, 247,401 "
On a Thursday, which is in bottled milk alone, and is equivalent
in cream which makes the number of points delivered, without the
wholesale milk of 241 quarts, and adding the loose milk in cans, 261 "
to the wagon.

Number of farmers is 3,823

The amount of checks drawn in November was 5,888

MILK BOUGHT IN 1916 and 1917

In
June 1916 we purchased from the farmers direct 36,680,872 pds.
Besides buying a great deal of cream under contract,
for which we paid the farmers, $519,318.29.

In 1917 we bought 35,540,818 pds,
For which we paid the farmers, $764,096.22.

The amount of entries that have been placed on our books by the
drivers is 189,802
In charges and a corresponding amount of credits.
This has to be done 7 days in the week.

Other clerical work, the Treasurer's Department and the paying department
Amounts to at least 100,000
Entries a day, which is over ¼ of a million entries daily, or 250,000.

The City National Bank, the largest banking system in the U.S.
Has 74 Departments and only has 800,00 entries
In comparison, we do one third as much clerical work as the
City National Bank.

In July 1916 the per capita of our employees, which did not include any of the managers of the divisions, superintendents or officers of the company, but included porters, drivers, truckmen, bottle washers, bottle fillers and girls, was $16.58. On 2,424 employees in Greater New York the salary amounted to $40,210.99.

December 4, 1917 the same class of employees per capita was $21.05. The total number of employees was 2,173. The salary was $43,544.82 and 1% commission the week previous given to the drivers amounted to $2,197.56.

($10825.28)

A steel case without ice weighs 60 pounds, holding 12 bottles
wooden case without ice weighs 57 pounds, holding 12 bottles
wooden case with ice, weighs 64 pounds
steel case with ice, weighs 69 pounds
40 quarts of milk in cans weighs 119 pounds
Assessed valuation of stock in New York for 1916 was $2,654,500.00
3% Milk at $3.10 a 100 pounds equals in butter fat $1.03
with a 15% over run would equal 88¢ for butter
4% milk at $3.50 a 100 pounds equals in butter fat .87¾ ¢
which would make 76¢ a pound for butter
5% milk at $3.90 a 100 pounds equals in butter fat .78 ¢
which would make 68¢ a pound for butter.

Estimate on 2,000,000 quarts of milk and cream received in this city Each day. Stating there is 200 cans per car, not including the diffe ence the way the bottled milk comes in, each car would carry 23,800 pounds and there is 250 cars of milk received which would make a to

4. DISPOSAL MADE OF THE SUPPLY OF MILK PURCHASED

	6 months to June 30,1917..83,777,[illegible]
Total quarts of whole or market milk purchased	July 1917... 16,937,698.....
	August 1917 .....

INSERT below the per cent (%) of total purchases for each price at whi milk was sold, for instance-

"2% 11 cents, Family"
"3% 9 cents, Restaurant"

Six months ended June 30th, 1917

	Per cent of total	Price at which sold	Class of Trade
132,371 Dip	.0015%	.07	Farmers
6,153,174 "	.0734%	.075	Family
1,901,892 "	.0220%	.075	Wholesale
326,801 H.H.	.0039%	.095	"
8,858,219 H.H.	.1057%	.10	Family
24,478,957 H.H.	.2922%	.11	"
42,593 Gr.A	.0005%	.11	Wholesale
10,317,704 " "	.1231%	.12	Family
16,740 Cert.	.0002%	.14	Wholesale
1,057,683 "	.0126%	.16	Family
63,292 Brookside	.0007%	.20	"
509 "		.20	Wholesale
53,349,941 Total	.6358%		
Donated as gratis milk	.0012%		
Loss or shrinkage	.0177%		
Used as surplus in cream and other by-products as shown below	.3453%		
Total	100%		

Month of July 1917

		Per cent of Total	Price at which sold	Class of Trade
37,879	Dip	.0023%	.07	Farmers
1,353,819	"	.0799%	.08	Family
705,757	"	.0417%	.08	Wholesale
32,655	H.H.	.0019%	.105	"
5,180,192	H.H.	.3058%	.115	Family
1,657,656	Gr. A	.0978%	.13	"
11,034	" "	.0007%	.125	Wholesale
135,442	Cert.	.0080%	.18	Family
3,399	"	.0002%	.16	Wholesale
6,573	Brookside	.0004%	.20	Family
201	"	[illegible]	.20	Wholesale
9,124,607	Total	.5387%		

Donated as gratis milk	.0011%
Loss or shrinkage	.0137%
Used as surplus in cream and other by-products as shown below	.4465%
Total	100%

5. USES OF SURPLUS MILK

6 Mo.

	Quarts milk used	Quantity each product produced	Gross value of quantity produced
Butter	7,275,110	675,529	$358,030.37
Cream	14,439,749	1,443,975	677,476.76
Buttermilk	827,458	827,458	57,922.06
Condensed Milk	913,314	273,120	52,165.92
Cheese	5,208,996	1,051,566	273,407.16
Loss or shrinkage	1,479,770		
Donated as gratis milk	100,566		
Fer-Mil-Lac	193,000		
Total	83,777,904		

5. USES OF SURPLUS MILK

July.

	Quarts milk used	Quantity each product produced	Gross value of quantity Produced
Butter	3,625,970	254,727	$133,731,67
Cream	2,055,769	205,577	96,107.25
Buttermilk	261,893	261,893	18,332.51
Condensed Milk	144,077	44,000	8,327.00
Cheese	2,451,529	482,290	130,218.30
Loss or shrinkage	231,582		
Donated as gratis milk	18,991		
Fer-Mil-Lac	23,280		
Total	16,937,698		

PROFIT & LOSS

January	Loss
February	Profit
March	"
April	Loss
May	Profit
June	"
July	"
August	"
September	"
October	"

SUNNY SLOPE FARM
ROY P. RUNKLE
R.F.D.NO.1, JOHNSTOWN, N.Y.

December
Twenty-second,
1917.

Mr. J. D. Miller,

Wohrd's Tower Bldg.,

New York City.

Dear Sir:-

Yours of 19th inst. received. I should have replied a little sooner but my numerous duties as sole caretaker of 28 head of cattle and four horses as well as the necessity of filling out and securing affadavits to my questionnaire prevented. Am very glad my evidence is of value to the Commission.

In regard to labor costs. Personally my last man receive $40 per month, board, lodging, and washing. This surely brings his cost to me up to $70. per month. He worked an average of 276 hours per month making a cost of 25¢ per hour. This man had privileges such as occasional use of horse and buggy that cannot easily be put on cash basis. Altho a man of ability he was a very hard horseman and quite conservative of personal energy. I could not have hired him at that figure for the whole season but got him after haying. The writer puts in more hours per month and knows that his labor in other fields would bring him certainly over 30¢ per hour. Sometime ago I offered a man $90 per month, board, etc. for one and one-half months. He refused on the grounds that more agreeable work paid as well or better. Other farmers around here are paying from

$35 to $45 per month with board etc. You understand that where a farmer can find a man willing to hire out for a year he gets less per month than where he hires out for only part or all of the busy season. I hired a man a year ago to begin April 1st, 1917 for one year for $40 per month, house rent, all the milk he needed, fire wood, all the garden he wanted and use of horse. He left after working a few weeks to take more renumerative job in city. The best man I ever had left me at instigation of general manager of small railway system here to take job paying $3. per day with R.R. pass and seven hour day. So far this month there has been an auction every day excepting Sundays within a radius of a few miles. I know personally and have been told by good authority in other cases that most of these auctions means a farmer going out of business. They can make as much or more money working for some other farmer or in the city and have less worry etc. We are wondering who is going to work all these farms next year. Unfavorable seasons for three years have made it hard for farmers to pay even as good wages as those spoken of above. Many farmers could not pay them and had to do what they could with the help of their families and let the rest go. Some men are to be found that like to work on farms and will do so at a reasonable wage but they plan to take it easy and be as independent as they think the desperation of the farmer will permit. A severe hail storm this summer entirely ruined the crops on some farms even to the apples.

In regard to the cost of silage. Enclosed find data where I have substituted horse labor for tractor. In regard to the plowing and fitting of my land, it being heavy soil and so much

rain for three seasons having made it more compact it requires a lot work to fit it properly and a plow draws mighty hard thru it if ground is plowed to any depth. A neighbor with lighter land says it would take him six or seven days to fit nine acres of his land. Some farmers might be situated to work three horses abreast, this would enable one man to do more work in a given length of time On hauling harvester. It is very hard work for two horses especially where there are any grades at all to climb. I realized the fact that in so far as actual time is concerned it is cheaper to haul harvester with team but they usually get more necks and I prefer to save my horses on such jobs even at increased cost. There are several custom silo filling outfits in this neighborhood of varying capacities. The one most satisfactory is a large one run by a steam engine. Two men are furnished with the outfit and they charge for their time and use of outfit $2.50 per hour. The other outfits run by gas tractors and engines only have one man and charge $1.65 to $2 and $2.25 per hour. Some farmers cut their silage as coarse as possible and get it thru the pipe (a slight exaggeration) and they get thru faster but do not get as many tons in their silo and it is not as good feed. The writer cuts his finer than the average at an increased cost.

From Sept. 29, 1916 to Nov. 12, '17 I owned a Mogul 8-16 which cost me about $800. I was obliged to continually overload and it was depreciating very fast. I tried to trade with the same company without success and getting wrathh traded with the Case pe

for a Case 10-20 being allowed nearly what I paid for the Mogul. The increased cost of these engines nearly or quite overbalanced the depreciation and the Case people made me a good offer as it was a good advertisement for them. My present tractor, nearly new stands me in $1064. It has been the practice in many cases in this country to charge $1. per hour for custom work with tractor and do at plowing etc. We do not figure any great profit in this but believe it reduces the cost of tractor to farmer.

You did not ask me to swear to this information but in as much as I expect to swear to my questionnaire this afternoon I will treat this letter in the same manner and if it is unnecessary no harm is done and possibly time will be saved.

Very truly yours,

Roy P. Runkle

State of New York,)
County of Fulton.) ss:

The undersigned, being a farmer of the Town of Mohawk, Montgomery County, does solemnly swear that the above and attached information and data is to the best of his knowledge the truth.

Roy P. Runkle

Subscribed and sworn to before me this 22nd day of December 1917.

&&& F.Cuthell Calderwood,

(Seal) Surrogate of Fulton County.

COST OF SILAGE FOR 1917.
Substituting horse labor for tractor.

Plowing:	
Nine acres with team @ $4.00 per acre	$36.00
Manure:	
60 Tons @ 2.50, 50% benefit this year	75.00
Fertilizer:	
1 Ton Acid Phosphate, hauling & applying	19.00
Fitting:	
8 Days with 2 horse team and man @ 4.50 per day	36.00
Seed:	
3.65 bu. @ $3.00	10.95
Planting:	
1 day, man and team	4.50
Cultivation:	
10 days " " "	45.00
Harvesting:	
Hand cutting	1.50
Hire of harvester	5.00
5 balls of twine	5.00
2 days hauling harvester with 2 horses	9.00
Filling:	
Estimate of neighbors & myself where filling outfit is hired and farmer must have a number of extra men for that time including board of men @ $2.00 per ton	90.00
Taxes: @ $1.00 per acre	9.00
Interest on money invested for 6 mos. @ 5%	5.00
Maintenance of silo	15.00
	365.95

Yield of 45 tons making cost of $8.132 per ton.

EXHIBIT 40.

BORDEN'S FARM PRODUCTS CO., INC.x

STATEMENT OF EARNINGS DERIVED FROM MILK HANDLED -EASTERN TERRITOR

TWELVE MONTHS ENDING OCT. 31, 1917

	NOV.1916	DEC.1916	JAN.1917
Gross Sales	$1,441,598.18	$1,483,068.82	$1,518.291.06
Deductions from Sales	5,777.76	5,899.83	6,214.99
Net Sales	1,435,820.42	1,477,168.99	1,512,076.07
Cost of Sales	1,533,129.35	1,566,908.37	1,563,170.90
Gross Profit	*97,308.93	*89,739.38	*51,094.83
Sell.and Adm.Expense	45,543.70	25,230,62	42,015.58
Net Profit	*142,852.63	*1 14,970.00	*93,110.41
Deduct.Ins.& Taxes Est	7,887.50	7,887.50	7,887.50
Net Earnings Est	*150,740.13	*122,857.50	*100,997.91

	FEB.1917	MAR.1917	APRIL 1917
Gross Sales	$1,329,558.46	$1,487.658.[illegible]	$1,484,176.5
Deductions from Sales	3,392.89	5.[illegible].75	6,089.[illegible]
Net Sales	1,326,165.57	1,481.[illegible].[illegible]4	1,478,087.1[illegible]
Cost of Sales	1,277,800.65	1,401,671.01	1,402,085.3[illegible]
Gross Profit	48,364.92	80,259.33	76,001.7[illegible]
Sell.and Adm.Expense	59,702.00	49,220.97	52,572.5[illegible]
Net Profit	*11,337.08	31,038.36	23,429.2[illegible]
Deduct.Ins.& Taxes Est	7,887.50	7,887.50	7,887.5[illegible]
Net Earnings Est	*19,224.58	23,150.86	15,541.7[illegible]

S

EXHIBIT 40 PAGE 2.

	MAY 1917	JUNE 1917	JULY 1917
Gross Sales	$1,578.804.40	$1,645,513.19	$1,779,800.9[illegible]
Deductions from Sales	6,163.79	7,104.97	8,363.2[illegible]
Net Sales	1,572,640.61	1,638,408.22	1,771,437.7[illegible]
Cost of Sales	1,407,828.10	1,428,157.27	1,640,331.5[illegible]
Gross Profit	164,812.51	210,250.95	131,106.2[illegible]
Sell.and Adm.Expense	33,510.61	39,394.68	47,150.5[illegible]
Net Profit	131,301.90	170,856.27	83,955.6[illegible]
Deduct.Ins.& Taxes Est	7,902.61	8,201.41	8,230.45
Net Earnings Est	123,399.29	162,654.86	75,725.2[illegible]

	AUG.1917	SEPT.1917
Gross Sales	$2,584,365.88	$2,280.920.28
Deductions from Sales	9 ,150.92	8,297.77
Net Sales	2,575,214.96	2,272,622.51
Cost of Sales	2,446,083.12	2,274,719.82
Gross Profit	129,131.84	*2,097.31
Sell.and Adm.Expense	42,686.51	45,750.06
Net Profit	86,445.33	*47,847.37
Deduct.Ins.& Taxes Est	8,881.28	9,938.44
Net Earnings Est	77,564.05	*57,785.81

EXHIBIT 40 PAGE 3.

	OCT. 1917	TOTAL
Gross Sales	$2,296,819.59	$20,910,575.44
Deductions from Sales	8,671,22	80,854.45
Net Sales	2,288,148.37	20,829,720.99
Cost of Sales	2,307,188.05	20,249,073.53
Gross Profit	*19,039.68	580,647.46
Sell.and Adm.Expense	44,341.61	527,119.51
Net Profit	*63,381.29	53,527.95
Deduct.Ins.& Taxes Est	9,890.10	100,369.29
Net Earnings Est	*73,271.39	*46,841.34

x Prior to April 30, 1917 run as a division of Borden's Condensed Milk Company.
After April 30, 1917 as Borden's Farm Products Company, Incorporated.

* Indicates Loss.

NOTE: Tax estimate is for real and personal only and does not include any estimate for Income Tax.

EXHIBIT 41
Dec. 26, 1917.

SHEFFIELD FARMS COMPANY.

	NOV. 1916	DEC. 1916
Sales	1,158,786.53	1,198,440.42
Less Discounts & Allowances,	1,210.69	1,358.23
Net Sales	1,157,575.83	1,197,083.19
Cost of Sales.		
Milk, Cream & Condensed,	598,310.56	618,617.53
Butter & Eggs & Other Merchandise,	122,905.93	104,075.73
Freight & Ferriage,	71,232.18	84,105.71
Total	792,448.67	806,798.97
Gross Profit,	365,127.16	390,283.22
Selling & Operating Expenses,		
Creamery Expenses,	85,251.04	61,539.39
Delivery "	169,146.23	100,781.21
Stable "	50,612.87	36,211.30
General Operating Expenses,	21,954.30	30,353.34
Administration "	31,332.29	21,238.71
Stores, "	31,633.01	20,861.56
Farm, "	2,331.72	3,121.96
Fer-Mil-Lac Bottles & Expenses,	2,210.67	2,365.95
Tin Shop Expenses,	1,170.42	3,743.14
Machine Shop,	4,809.87	23,668.71
Royalties,	1,765.12	2,845.79
Depreciation,	24,808.70	80,909.67
Total,	427,026.24	336,573.11
Net Trading Profit,	R- 61,898.08	53,710.11
Other Income,	22,364.93	55,355.93
Total	39,534.15	109,066.04

EXHIBIT 41 Page 2.

	JANY. 1917	FEBY. 1917
Sales	1,226,165.25	1,144,710.70
Less Discounts & Allowances,	1,448.61	1,285.72
Net Sales	1,224,716.64	1,143,424.98
Cost of Sales,		
Milk, Cream & Condensed,	619,315.85	542,610.16
Butter & Eggs & Other Merchandise,	114,065.81	94,604.56
Freight & Ferriage,	84,315.22	76,428.30
Total	817,696.88	713,643.02
Gross Profit,	407,019.76	429,781.96
Selling & Operating Expenses,		
Creamery Expenses,	76,849.14	99,315.44
Delivery "	155,320.31	137,304.91
Stable "	55,078.40	40,108.28
General Operating Expenses,	22,496.39	27,771.89
Administration "	32,436.33	31,962.80
Stores, "	37,863.69	25,942.32
Farm, "	491.78	1,285.68
Fer-Mil-Lac Bottles & Expenses,	3,184.33	2,357.43
Tin Shop Expenses,	1,241.19	1,273.69
Machine Shop "	3,307.70	2,909.64
Royalties,	1,927.22	1,811.99
Depreciation,	21,495.10	21,074.55
Total,	411,691.58	393,117.62
Net Trading Profit, R	4,671.82	36,664.34
Other Income,	705.72	1,172.66
Total	3,966.10	37,837.00

	MARCH 1917.	APRIL 1917
Sales	1,302,668.97	1,296,111.91
Less Discounts & Allowances,	1,439.66	1,255.24
Net Sales	1,301,229.31	1,294,856.67
Cost of Sales,		
Milk, Cream & Condensed,	603,441.32	653,533.34
Butter & Eggs & Other Merchandise,	108,287.67	123,949.16
Freight & Ferriage,	86,258.97	86,828.28
Total	802,987.96	864,310.78
Gross Profit,	498,241.35	430,545.89
Selling & Operating Expenses,		
Creamery Expenses,	86,725.56	89,174.00
Delivery "	156,241.98	173,044.93
Stable "	48,517.35	52,198.19
General Operating Expenses,	23,799.01	20,000.39
Administration "	32,717.21	33,216.48
Stores, "	31,472.57	38,112.81
Farm, "	863.61	1,701.61
Fer-Mil-Lac Bottles & Expenses,	3,895.62	1,778.02
Tin Shop Expenses,	1,529.18	2,347.37
Machine Shop, "	3,551.29	5,335.82
Royalties,	2,444.88	2,507.35
Depreciation,	24,035.05	22,221.55
Total,	415,793.31	441,638.52
Net Trading Profit,	82,448.04	R 11,092.63
Other Income,	1,385.46	525.35
Total	83,833.50	10,567.28

EXHIBIT 41 Page 4.

	MAY 1917	JUNE 1917
Sales,	1409070.44	1446838.23
Less Discounts & Allowances,	1277.08	1300.22
Net Sales	1407793.36	1445538.01
Cost of Sales,		
Milk, Cream & Condensed,	656844.87	638013.63
Butter & Eggs & Other Merchandise,	130951.79	135647.29
Freight & Ferriage,	92443.53	94430.52
Total	880240.19	868091.46
Gross Profit,	527553.17	577436.55
Selling & Operating Expenses,		
Creamery Expenses,	113464.57	128461.57
Delivery "	188955.86	189214.57
Stable "	51889.24	56791.33
General Operating Expenses,	30129.78	30041.50
Administration "	32974.83	36710.45
Stores, "	43798.81	48534.34
Farm "	2308.60	2948.90
Fer-Mil-Lac Bottles & Expenses,	3197.82	3577.48
Tin Shop Expenses,	1003.82	965.01
Machine Shop, "	4800.65	3978.07
Royalties,	2503.49	2617.20
Depreciation,	22496.25	21644.25
Total,	496523.72	525484.67
Net Trading Profit,	31029.45	51951.88
Other Income	484.43	2183.12
Total	31513.88	54135.00

EXHIBIT 41 Page 5.

	JULY 1917	AUG. 1917
Sales,	1428318.60	1557119.12
Less Discounts & Allowances,	1350.62	1354.15
Net Sales	1426967.98	1555764.97
Cost of Sales,		
Milk, Cream & Condensed,	675090.30	839097.97
Butter & Eggs & Other Merchandise,	121789.05	118847.37
Freight & Ferriage,	106652.01	101207.73
Total	903531.36	1059153.07
Gross Profit,	523436.62	496611.90
Selling & Operating Expenses,		
Creamery Expenses,	102171.82	106864.28
Delivery "	202687.84	199162.79
Stable "	53751.22	50906.57
General Operating Expenses,	27511.61	23626.96
Administration "	40718.94	34767.19
Stores, "	43074.34	43410.47
Farm "	4015.11	2785.25
Fer-Mil-Lac Bottles & Expenses,	4393.46	3373.03
Tin Shop Expenses,	980.72	1314.06
Machine Shop "	3759.66	2529.02
Royalties,	2212.74	2132.74
Depreciation,	21185.25	21199.25
Total	503462.71	492071.61
Net Trading Profit,	16973.91	4540.29
Other Income	4779.07	7900.84
Total	21752.98	12441.13

	SEPT. 1917	OCT. 1917
Sales	1389498.19	1489552.77
Less Discounts & Allowances,	1210.03	1840.83
Net Sales	1388288.16	1487711.94
Cost of Sales,		
Milk, Cream & Condensed,	603483.62	705513.07
Butter & Eggs & Other Merchandise,	145161.79	161784.34
Freight & Ferriage,	89548.40	76892.62
Total	928193.81	944190.03
Gross Profit,	460094.35	543521.91
Selling & Operating Expenses,		
Creamery Expenses,	96339.74	84090.57
Delivery "	179721.14	166235.09
Stable "	53565.53	48746.63
General Operating Expenses,	20169.27	18557.56
Administration "	33388.64	33996.67
Stores, "	39819.49	42543.00
Farm "	1845.74	3055.34
Fer-Mil-Lac Bottles & Expenses,	2915.63	2451.35
Tin Shop Expenses,	1128.47	1123.01
Machine Shop, "	2741.60	2709.48
Royalties,	1500.07	1383.06
Depreciation,	22646.25	29456.25
Total	456381.57	434348.01
Net Trading Profit,	3712.78	*109173.90
Other Income	1234.72	2328.89
Total	4947.50	111502.79

R indicates Loss

* included in this item of Profit is $30,000.00 adjustment on price of skimmed milk sold Sheffield By Products Company during the months of January, February, March, April, May June, July, August, and September.

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Exhibit No. 42, Page 1.

THE EMPIRE STATE DAIRY COMPANY.

Pro Forma Profit and Loss Statement,

November 30th, 1916.

	Revenues	Expenses
Route Sales	244,662.66	
Store Sales	21,587.72	
Other Earnings (Rent	261.00	
Discounts	231.32	
Dividends		
Interest	79.96	
Cost of Merchandise		171,077.14
Creamery Expenses		5,006.14
Freight		19,020.74
Ferriages		539.67
Wages		38,331.00
Salaries		2,291.66
Refrigeration		58.44
Wagon and Harness Repairs, etc.		1,535.72
Feed, Stable Expenses, etc.		8,278.22
Automobile Expense		2,430.52
Commissions		1,641.42
Boxes and Cans		2,181.58
Bottles		2,604.72
Rent		347,50
General Expenses		14,256.03
Dividends		
Interest		1,265.83
Depreciation		
Loss General Business	4,043.77	
	270,866.43	270,866.43

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement,

Dec. 31, 1916.

	11/30/16	12/31/16	Revenues	Expenses
Route Sales			251,711.03	
Store Sales			31,294.38	
Other Earnings (Rent)			157.00	
Discounts			222.80	
Dividends			2,430.00	
Interest			7.21	
Cost of Merchandise				176,761.35
Creamery Expense				5,925.04
Freight				18,525.36
Ferriages				586.59
Wages				48,940.66
Salaries				2,291.74
Refrigeration				23.73
Wagon and Harness Repairs, etc.				1,246.55
Feed, Stable Expenses, etc.				7,538.07
Automobile Expenses				2,418.97
Commissions				1,843.83
Boxes and Cans				24.06
Bottles				2,212.14
Rent				347.50
General Expenses				9,862.28
Dividends				
Interest				6,485.85
Depreciation				
Loss General Business			9,211.30	
			285,033.72	285,033.72

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DIARY COMPANY

Pro Forma Profit and Loss Statement

January 31st, 1917.

	Revenues	Expenses
Route Sales	258,019.19	
Store Sales	31,280.28	
Other Earnings (Rent)	147.00	
Discounts	309.01	
Dividends	15.00	
Interest	18.84	
Cost of Merchandise		188,084.90
Creamery Expenses		14,288.05
Freight		19,084.31
Ferriages		677.30
Wages		39,339.53
Salaries		2,291.66
Refrigeration		13.75
Wagon and Harness Repairs, etc.		1,027.84
Feed, Stable Expenses, etc.		7,078.35
Automobile Expense		3,726.94
Commissions		3,855.94
Boxes and Cans		1,776.50
Bottles		4,987.41
Rent		347.50
General Expenses		29,147.95
Dividends		
Interest		478.11
Depreciation		
Loss General Business	37,516.72	
	316,206.04	316,206.04

Windsor Grain Account

General Bsuiness

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

February 28th, 1917.

	Revenues	Expenses
Route Sales	235,154.37	
Store Sales	22,053.39	
Other Earnings (Rent)	117.00	
Discounts	343.32	
Dividends		
Interest		
Cost of Merchandise		164,729.57
Creamery Expenses		7,628.95
Freight		16,669.87
Ferriages		567.26
Wages		39,690.35
Salaries		2,291.66
Refrigeration		6.20
Wagon and Harness Repairs, etc.		1,072.23
Feed, Stable Expenses, etc.		6,748.45
Automobile Expense		1,843.72
Commissions		1,206.63
Boxes and Cans		370.30
Bottles		2,818.08
Rent		347.50
General Expenses		7,212.80
Dividends		
Interest		256.55
Depreciation		
Gain General Business		4,207.96
	257,668.08	257,668.08

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

March 31st, 1917.

	Revenues	Expenses
Route Sales	278,998.74	
Store Sales	22,007.76	
Other Earnings (Rent)	235.00	
Discounts	298.73	
Dividends		
Interest	30.25	
Cost of Merchandise		185,138.15
Creamery Expenses		7,879.09
Freight		22,085.26
Ferriages		589.68
Wages		49,382.25
Salaries		2,291.66
Refrigeration		137.45
Wagon and Harness Repairs, etc.		1,229.60
Feed, Stable Expenses, etc.		8,462.64
Automobile Expense		2,749.68
Commissions		838.29
Boxes and Cans		10.79
Bottles		814.31
Rent		347.50
General Expenses		14,424.98
Dividends		
Interest		1,099.22
Depreciation		
Gain General Business		3,999.93
	301,480.48	301,480.48

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

April 30, 1917.

	Revenues	Expenses
Route Sales	269,146.65	
Store Sales	28,380.89	
Other Earnings (Rent)	122.00	
Discounts	221.20	
Dividends		
Interest	51.60	
Cost of Merchandise		188,632.28
Creamery Expenses		7,683.14
Freight		21,215.35
Ferriages		462.43
Wages		39,200.62
Salaries		2,291.66
Refrigeration		846.14
Wagon and Harness Repairs, etc.		1,082.51
Feed, Stable Expenses, etc.		10,276.62
Automobile Expense		2,654.89
Commissions		844.22
Boxes and Cans		1,709.85
Bottles		3,916.83
Rent		347.50
General Expenses		15,840.76
Dividends		
Interest		599.69
Depreciation		
G		
Gain General Business		317.84
	297,922.35	297.922.35

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

May 31, 1917.

	Revenues	Expenses
Route Sales	306.084.72	
Store Sales	32,183.34	
Other Earnings (Rent)	205.00	
Discounts	447.88	
Dividends		
Interest	53.67	
Cost of Merchandise		225,065.99
Creamery Expenses		10,189.67
Freight		22,802.77
Ferriages		501.32
Wages		39,802.30
Salaries		2,291.66
Refrigeration		125.60
Wagon and Harness Repairs, Etc.		1,180.27
Feed, Stable Expenses, etc.,		9,957.21
Automobile Expense		2,880.63
Commissions		955.33
Boxes and Cans		5,062.75
Bottles		5,857.18
Rent		347.50
General Expenses		24,320.49
Dividends		
Interest		933.29
Depreciation		
Loss General Business	13,299.35	
	352,273.96	352,273.96

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

June 30, 1917.

	Revenues	Expenses
Route Sales	343,957.91	
Store Sales	34,119.28	
Other Earnings (Rent)	132.00	
Discounts	155.30	
Dividends		
Interest	111.67	
Cost of Merchandise		261,305.23
Creamery Expenses		11,987.84
Freight		35,053.31
Ferriages		432.53
Wages		50,732.71
Salaries		2,291.66
Refrigeration		1,559.04
Wagon and Harness Repairs, etc.		1,699.96
Feed, Stable Expenses, etc.		7,640.65
Automobile Expense		2,715.55
Commissions		874.59
Boxes and Cans		3,338.97
Bottles		5,376.47
Rent		347.50
General Expenses		12,943.07
Dividends		
Interest		5,759.21
Depreciation		
Loss General Business	15,482.13	
	393,948.39	393,948.39

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DIARY COMPANY

Pro Forma Profit and Loss Statement

July 31, 1917.

	Revenues	Expenses
Route Sales	368,509.58	
Store Sales	36,078.87	
Other Earnings (Rent)	206.00	
Discounts	393.48	
Dividends	15.00	
Interest	86.37	
Cost of Merchandise		255,113.51
Creamery Expenses		9,530.17
Freight		24,305.73
Ferriages		537.25
Wages		41,234.74
Salaries		2,291.66
Refrigeration		2,574.50
Wagon and Harness Repairs, etc.		1,656.99
Feed, Stable Expenses, etc.		7,749.47
Automobile Expense		3,705.12
Commissions		1,088.89
Boxes and Cans		884.85
Bottles		5,220.85
Rent		347.50
General Expenses		13,195.47
Dividends		
Interest		1,060.53
Depreciation		
Gain General Business		34,746.07
	405,289.30	405,289.30

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

August 31, 1917.

	Revenues	Expenses
Route Sales	365,623.64	
Store Sales	38,819.98	
Other Earnings (Rent)	122.00	
Discounts	400.19	
Dividends		
Interest	133.77	
Cost of Merchandise		262,083.89
Creamery Expenses		10,145.18
Freight		24,271.77
Ferriages		525.03
Wages		42,115.50
Salaries		2,291.66
Refrigeration		2,010.85
Wagon and Harness Repairs, etc.		1,699.75
Feed, Stable Expenses, etc.		7,887.45
Automobile Expense		3,343.26
Commissions		1,045.94
Boxes and Cans		434.55
Bottles		3,397.60
Rent		347.50
General Expenses		15,290.77
Dividends		
Interest		408.68
Depreciation		
Gain General Business		27,791.20
	405,099.58	405,099.58

Windsor Grain Account

General Business

Grain Account

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Exhibit No. 42, page 11.

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

September 30, 1917.

	Revenues	Expenses
Route Sales	283,258.88	
Wholesale	39,119.97	
Store Sales	36,141.56	
Discounts	179.70	
Dividends		
Interest	1,168.42	
Other Earnings (Rent)	249.00	
Cost of Merchandise		229,502.45
Creamery Expenses		8,850.90
Freight		21,201.96
Ferriages		456.26
Wages		52,267.10
Salaries		2,291.66
Feed		6,218.00
Automobile Expense		2,928.92
Commissions		1,378.57
Bottles		4,599.88
Boxes		412.50
Cans		87.46
Rent		347.50
Interest		1,740.39
General Expenses		17,186.63
Depreciation		
Gain General Business		10,647.35
	360,117.53	360.117.53

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

Pro Forma Profit and Loss Statement

October 31, 1917.

	Revenues	Expenses
Route Sales	279,591.50	
Wholesale	33,357.05	
Store Sales	36,817.28	
Discounts	356.22	
Dividends	2,430.00	
Interest	36.16	
Other Earnings (Rent)	142.00	
Cost of Merchandise		230,066.17
Creamery Expenses		9,112.68
Freight		17,426.23
Ferriages		465.91
Wages		40,222.41
Salaries		2,291.66
Feed		10,134.64
Automobile Expense		2,876.82
Commissions		1,497.59
Bottles		5,702.26
Boxes		12.50
Cans	53.88	
Rent		347.50
Interest		726.80
General Expenses		13,721.79
Depreciation		
Gain General Business		18,179.13
	352,784.09	352.784.09

Windsor Grain Account

General Business

Grain Account

THE EMPIRE STATE DAIRY COMPANY

R E C A P I T U L A T I O N.

	Gain	Loss
Nov. 30th, '16		4,043.77
Dec. 31st, '16		9,211.30
Jan. 31st, '17		37,516.72
Feb. 28th, '17	4,207.96	
Mar. 31st, '17	3,999.93	
Apr. 30th, '17	317.54	
May 31st, '17		13,299.35
June30th, '17		15,482.13
July 31st, '17	34,746.07	
Aug. 31st, '17	27,791.20	
Sep. 30th, '17	10,647.35	
Oct. 31st, '17	18,179.13	
Gain for 12 months		20,336.21
	99,889.48	99,889.48

Ex 46
12/26/17
p 1746 of Minutes.

BORDEN'S AVERAGE BUTTERFAT TEST -TOTAL MILK PURCHASE
Year ending June 30, 1917.

1916		1917	
July	3.8	January	3.8
August	3.8	February	3.7
September	4.0	March	3.6
October	4.0	April	3.6
November	4.0	May	3.6
December	3.9	June	3.6

Average 3.764

Applying these butterfat percentages, which are substantially average, to the prices paid producers, during the period covered by the recent price advances, compared with previous years, and putting against these the prices charged the consumer for Grade "B" milk sold in bottles delivered at consumer's door, we have the following results:

- -

PRICES TO PRODUCERS

Months per 100 lbs				Per quart (cents)		
	1914	1915	1916	1914	1915	1916
Dec.	$2.10	$2.07	$2.47	4.46	4.40	5.25
	1915	1916	1917	1915	1916	1917
Jan.	2.05	1.94	2.44	4.36	4.12	5.19
Feb.	1.85	1.86	2.36	3.93	3.95	5.01
Mar.	1.80	1.78	2.28	3.83	3.78	4.83
Apr.	1.49	1.59	2.26	3.17	3.38	4.80
May	1.24	1.34	2.21	2.64	2.85	4.70
June	1.18	1.28	2.11	2.51	2.72	4.48
July	1.40	1.50	2.38	2.98	3.19	5.06
Aug	1.56	1.66	2.83	3.31	(3.53)	5.06
Sep.	1.71	1.81	2.90	3.63	3.85	6.16
Oct.	2.00	2.45	3.50	4.25	5.21	(7.44)
Nov.	2.10	2.55	3.74	4.46	5.42	7.95
Average	1.71	1.82	2.62	3.62	3.87	5.57

To Producer	Aug. 1916	3.53 ¢	per quart
	Oct 1917	7.44 ¢	" "
	Increase	3.91 ¢	" "
To Distributor	Aug. 1916	9 ¢	" "
	Oct. 1917	14 ¢	" "
	Increase	5	" "

To Producer 3.91 ¢ To Distributor 1.09 ¢

Ex. 46
12/26/17
p. 1746 of Minutes.

	CHARGE TO CONSUMERS Per uart (cents)			DIFFERENTIAL Per quart (cents)		
	1914	1915	1916	1914	1915	1916
	9.0	9.0	10.0	4.54	4.60	4.75
	1915	1916	1917	1915	1916	1917
Jan.	9.0	9.0	10.0	4.64	4.88.	4.81
Feb.	9.0	9.0	11.0	5.07	5.05	5.99
Mar.	9.0	9.0	11.0	5.17	5.22	6.17
Apr.	9.0	9.0	11.0	5.83	5.62	6.20
May	9.0	9.0	11.0	6.36	6.15	6.30
June	9.0	9.0	11.0	6.49	6.28	6.52
July	9.0	9.0	11.5	6.02	5.81	6.44
Aug	9.0	(9.0)	12.5	5.69	5.47	6.49
Sep.	9.0	10.0	12.5	5.37 #	6.15	6.34
Oct.	9.0	10.0	(14.0)	4.75 ø	4.79	6.56
Nov.	9.0	10.0	14.0	4.54 ø	4.58	6.05
Average	9.0	9.25	11.625	5.37	5.38	6.05

Exhibit 47
12/26/17
P 1746 of Minutes

BORDEN'S FARM PRODUCTS COMPANY, Inc.,

GRADE B- RETAIL October 1917.

COMPARISON OF COST PER QUART FOR BRANCH EXPENSES.

TOTAL METROPOLITAN DISTRICT vs. GREATER NEW YORK CITY.

		TOTAL METROPOLITAN DISTRICT Per Quart	GREATER NEW YORK CITY Per Quart
S-120	General Branch Expense	.00509	.00553
130	Repairs & Maintenance	.00062	.00073
140	Milk Room	.00162	.00187
150	Stable Expense	.00555	.00555
160	Distributing Expense	.01919	.02169
	T O T A L - - - - - - -	.03207	.03537

Ex. 48
12/26/17
p. 1748 of Minutes.

BORDEN'S FARM PRODUCTS COMPANY, Inc.,

EASTERN DIVISION - BOTTLES BOXES AND CANS, October 31, 1917.

VALUE ON HAND AND IN CIRCULATION

QUART BOTTLES	$198,328.07
PINT BOTTLES	67,650.88
HALF PINT BOTTLES	25,408.92
BOXES	146,318.79
CANS	445.639.45
TOTAL - - - - - - - - -	$883,346.11

ANNUAL DEPRECIATION

QUART BOTTLES	PINT BOTTLES	HALF PINT BOTTLES	BOXES	CANS	TOTAL
$266,122.40	67,460.17	30,992.25	43,321.40	18,689.58	426,585.80

Do not compare value on hand with amount of depreciation as depreciation is credited to stock account monthly thus reducing inventory value.

Ex. 49
12/26/17
p. 1748 of Minutes

BORDEN'S FARM PRODUCTS CO., Inc.

DEPRECIATION DATA.

AMT. OF DEPRECIATION
ON WAGES CHARGED TO COST

1917	
May	$ 4,086.50
June	4,208.25
July	4,308.00
August	4,078.25
September	4,031.50
October	4,029.75
November	4,057.75
	$ 28,800.00

The above figures are actual charges arrived at by the following rates per month:-----

$2.00 Route wagon in service

$4.00 Trucks, Large Expresses

$3.00 3/4 Trucks

$1.00 Canvassing wagons, small expresses, & business wagons

$0.75 Buggies.

COST OF HORSE UPKEEP
(Exclusive of Depreciation)
AVERAGE OF SEVEN BRANCHES

	NUMBER	AMOUNT	PER HORSE
September - 1917	630	13,810.49	21.92
October - 1917	611	14,732.93	24.12

Ex. 51,
Dec. 26, 1917.
P/ 1749 of Minutes.

BORDEN'S FARM PRODUCTS CO., Inc.

CLOSED PLANTS.

Brewster, Putnam Co., N.Y.
Ackerson, Sussex Co., N. J.
Ballina, Madison Co., N.Y.
Fayetteville, Jefferson Co., N.Y.
South New Berlin Chenango Co., N.Y.
Raymondsville, St.Lawrence Co., N.Y.
South Worcester, Otsego Co., N.Y.
Alden, Erie Co., N.Y.
Earlville, Madison Co., N.Y.
Greenwood, Syeuben Co., N.Y.
Whitesville, Allegheny Co., N.Y.
Camp Mills, Jefferson Co., N.Y.
Randall, Montgomery Co., N.Y.
Huntsville, Sussex Co., N.Y.
Portlandville, Oswego Co., N.Y.
Daysville, Otsego Co., N.Y.
Sterlingville, Jefferson Co., N.Y.
Moores Forks, Clinton Co., N.Y.
Williamstown, Oswego Co., N.Y.
~~Camden, Oneida Co., N.Y.~~ (open)
Downsville, Delaware Co., N.Y.
West Stockbridge, Berkshire Co., Mass.
Old Chatham, Columbia Co., N.Y.
Afton, Chenango Co., N.Y.
West Winfield, Herkimer Co., N.Y.
Youngs, Delaware Co., N.Y.

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Dec. 26, 1917.
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BORDEN'S FARM PRODUCTS CO., Inc.

LIST OF COUNTRY BOTTLING PLANTS

EQUIPPED TO PASTEURIZE

Bottling Grade "A"

Brisben, Chenango Co., N.Y.
Dryden, Tompkins Co., N.Y.
Ft. Ann, Washington Co., N.Y.
Honesdale, Wayne Co., Penna.
Johnsons, Orange Co., N.Y.
Mt. Upton, Chenango Co., N.Y.
New Milford, Orange Co., N.Y.
Otisville, Orange Co., N.Y.
Oxford, Chenango Co., N.Y.
Otego, Otsego Co., N.Y.
Papakating, Sussex Co., N.J.
Pine Bush, Orange Co., N.Y.
Stanfordville, Dutchess Co., N.Y.
Washington Depot, Litchfield Co. Conn.
Washingtonville, Orange Co., N.Y.
Wassaic, D tchess Co., N.Y.

Bottling Grade "B"L
Ancram Lead Mines, Columbia Co., N.Y. (bottled raw)
Branchville, Sussex Co., N.J.
Burnsside, Orange Co., N.Y.
Chatham, Columbia Co., N.Y.
Copake, Columbia Co., N.Y.
Edmeston, Otsego Co., N.Y.
Gouverneur, St. Lawrence Co., N.Y.
Granville, Washington Co., N.Y.
Hopewell Junction, Dutchess Co., N.Y.(bottled raw)
Lime Rock, Litchfield Co., Conn.
Montrose, Susquehanna Co., Penna.
Newark Valley, Tioga Co., N.Y.
Oran Onondaga Co., N.Y.
Pine Plains, Dutchess Co., N.Y.
Poultney, Rutland Co., Vermont.
Schenevus, Otsego Co., N.Y.
Thompson, Susquehanna Co. Penna.
Ulster, Bradford Co. Pa (bottled raw).
Waterville Oneida Co., N.Y.
Whitehall, Washington Co., N.Y.

Whitney Pt, Broome Co., N.Y.
Wingdale, Ditchess Co., N.Y.
Worcester, Otsego Co., N.Y.

CREAM AND BUTTERMILK BOTTLED AT FOLLOWING FACTORIE

Deposit, Broome Co., N.Y.
Johns, Orange Co., N.Y.
Oxford, Chenango Co., N.Y.
Newark Valley, Tioga Co., N.Y.
Gouverneu, St. Lawrence Co., N.Y.
Schenevus, Otsego Co., N.Y.
Whitehall, Washington Co., N.Y.
Millerton, Dutchess Co., N.Y.
Cannaan, Litchfield, Conn.
Hopewell Junction, Dutchess Co., N.Y.

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Dec. 26, 1917
p. 1750 of Minutes.

BORDEN'S FARM PRODUCTS COMPANY, Inc.
List of Plants Not Equipped to Pasteurize.

Alfred, Allegheny Co., N.Y.
Ammon, Allegheny Co., N.Y.
Altmar, Oswego Co., N.Y.
Ancrm Lead Mines, Columbia Co., N.Y.
Angelicia, Allegheny, N.Y.
Attica, Wyoming Co., N.Y.
Barton, Tioga Co., N.Y.
Bath, Steuben Co., N.Y.
Belmont, Allegheny Co., N.Y.
Belvidere, Allegheny, N.Y.
Berkshire, Tioga Co., N.Y.
Bouckville, Madison Co., N.Y.
Brushton, Franklin Co., N.Y.
Campbell, Steuben Co., N.Y.
Campbell Hall, Orange Co., N.Y.
Canaan, Litchfield Co., Conn.
Chapinville, Conn.
Castorland, Lewis Co., N.Y.
Catatonk, Tioga Co., N.Y.
Carthage, Jefferson Co., N.Y.
Castile, Wyoming Co., N.Y.
Chaumont, Jefferson Co., N.Y.
Cochecton, Sullivan Co., N.Y.
Cortland, Cortland Co., N.Y.
Craryville, Columbia Co., N.Y.
Cuba, Allegheny, N.Y.
Cuba Summit, Allegheny, N.Y.
DeKalb Junction, St. Lawrence Co., N.Y.
Delphi Fall, Onondaga Co., N.Y.
Denley, Lewis Co., N.Y.
Deposit, Broome Co., N.Y.
Eldred, McKean Co. Penna.
Elm Valley, Allegheny Co., N.Y.
Endicott, Broome Co., N.Y.
Fair Haven, Cayuga Co., N.Y.
Farmingdale, Orange Co., N.Y.
Fernwood, Oswego Co., N.Y.
Flemingville, Tioga Co., N.Y.
Forida, Orange Co. N.Y.
Ft. Plain, Montgomery Co., N.Y.
Friendship, Allegheny Co., N.Y.
Gansevoort, Saratoga Co., N.Y.
Genoa, Cauga Co., N.Y.
Gilbertsbille, Chenango Co., N.Y.

Goshen, Orange Co., N.Y.
Greenhaven, Dutchess Co., N.Y.
Haptonburgh, Orange Co., N.Y.
Harford, Mills, Cortland Co., N.Y.
Harpersville, Broom e Co., N.Y.
Hinsdale, Cattaragus Co., N.Y.
Homets Ferry, Bradford Co. Penna.
Hopewell Junction, Ditchess Co., N.Y.
Kanona, Steuben Co., N.Y/
Howard, N.Y.
Kennes, Jefferson Co., N.Y.
Kipps Station, Orange Co., N.Y.
Lakewood, Wayne Co., Penna.
Lebabon, Madison Co., N.Y.
Locke, Cayuga Co., N.Y.
Mahopac, Putnam Co., N.Y.
Mallory, Oswego Co., N.Y.
Maple View, OswegoCo., N.Y.
Marathon, Corland Co., N.Y.
Maywood, Delaware Co., N.Y.
Middleburgh, Schoharie Co., N.Y.
Millerton, Dutchess Co., N.Y.
Morrisville Station, Madison Co., N.Y.
Meelytown, Orange Co., N.Y.
Nichols, Tioga Co., N.Y.
Oleans Corners, Jefferson Co., N.Y.
Owego, Tioga Co., N.Y.
Parish, Oswego Co. N.Y.
Peruton, Tompkins Co., N.Y.
Pine Island, Orange Co., N.Y.
Plum Brook, St. Lawrence Co., N.Y.
Ritchfield Spring, Otsego Co., N.Y.
Richford, Tioga Co., N.Y.
Rouses Pt.,Clinton Co., N.Y.
Savona, Steuben Co., N.Y.
Scio, Allegheny Co., N.Y.
Sharon Springs, Schoharie Co., N.Y.
Smith Boro, Tioga Co., N.Y.
Solsville, Madison Co., N.Y.
Sugar Loaf, Orange Co., N.Y.
Tunnel, Broome Co., N.Y.
Turtle Pt., McKean Co. Penna.
Ulster, Bradford Co., Pa.
Weedsport, Cayuga Co., N.Y.
West Danby, Tompkins Co., N.Y.
West Wedmeston, Otsego Co., N.Y.
Westmoreland, Oneida Co., N.Y.
Wisner, Orange Co., N.Y.

All of these ship in cans exclusively except:
Anccam Lead Mines
Hopewell Junction
Ulster.

BORDEN'S FARMS PRODUCTS COMPANY, Inc.

LIST OF PLANTS SUPPLYING NEW YORK CITY.

Alfred, Allegany Co., N. Y.
Almond, Allegany Co., N. Y.
Altmar, Oswego Co., N. Y.
Altona, Clinton Co., N. Y.
Ancram Lead Mines, Columbia Co., N. Y.
Angelica, Allegany Co., N. Y.
Attica, Wyoming Co., N. Y.
Barton, Tioga Co., N. Y.
Bath, Steuben Co., N. Y.
Belmont, Allegany Co., N. Y.
Belvidere, Allegancy Co., N. Y.
Berkshire, Tioga Co., N. Y.
Bouckville, Madison Co., N. Y.
Branchville, Sussex Co., N.Y.
Brisben, Chenango Co., N. Y.
Brownsville, Jefferson Co., N.Y.
Brushton, Franklin Co., N.Y.
Burnside, Orange Co., N.Y.
Campbell, Steuben Co., N.Y.
Campbell Hall, Orange Co., N.Y.
Canaan, Litchfield Co., Conn.
Castorland, Lewis Co., N.Y.
Catatonk, Tioga Co. N.Y.
Carthage, Jefferson Co., N.Y.
Castile, Wyoming Co., N.Y.
Chatham, Columbia Co., N.Y.
Chaumont, Jefferson Co., N.Y.
Cherry Valley, Otsego Co., N.Y.
Clayton, Jefferson Co., N.Y.
Clinton, Oneida Co., N.Y.
Cocheston, Sullivan Co., N.Y.
Copake, Columbia Co., N.Y.
Cortland, Cortland Co., N.Y.
Craryville, Columbia Co., N.Y.
Croghan, Lewis Co., N.Y.
Cuba, Allegany, Co., N.Y.
Cuba Summit, Allegany Co., N.Y.
Daysville, Oswego Co., N.Y.
De Kalb junction, St. Lawrence Co., N.Y.
Delphi Falls, Onondaga Co., N.Y.
Denley, Lewis Co., N.Y.
Deposit, Broome Co., N.Y.
Dryden, Teompkins Co., N.Y.
Elmston, Otsego Co., N.Y.
Eldred, McKean Co., Pa.

Elm Valley, Allegany Co., N.Y.
Endicott, Broome Co., N.Y.
Fairhaven, Cayuga Co., N. Y.
Farmingdale, Orange Co. N.Y.
Farmwood, Oswego Co. N.Y.
Fishkill Plains, Dutchess Co.; N.Y.
Flemingville, Tioga Co., N.Y.
Florida, Orange Co., N.Y.
Fort Ann, Washington Co., N.Y.
Fort Plain, Montgomery Co., N.Y.
Friendship, Allegany Co., N.Y.
Gansevoort, Saratoga Co., N.Y.
Genoa, Cayuga Co., N.Y.
Georgetown, Madison Co., N.Y.
Gilbertsville, Chenango Co., N.Y.
Goshen, Orange Co., N.Y.
Gouverneur, St. Lawrnce Co., N.Y.
Granville, Washington Co., N.Y.
Greenhaven, Dutchess Co., N.Y.
Hamptonburgh, Orange Co., N.Y.
Harford Mills, Courtland Co., N.Y.
Harpersville, Broome Co., N.Y.
Hinsdale, Cattaraugus Co., n.y.
holmes, Dutchess Co., N.Y.
Homets Ferry, Bradford Co., Pa.
Honesdale, Wayne Co., Pa.
Hopewell Junction, Dutchess Co., N.Y.
Johnsons, Orange Co., N.Y.
Kanona, Steuben Co., N.Y.
Keenes, Jefferson Co., n.y.
Kingsley, Susquehanna Co., Pa.
Kipps Station, Orange Co., N.Y.
LaFargeville, Jefferson Co., N.Y.
Lakewood, Wayne Co., Pa.
Lebanon, Madison Co., N.Y.
Lime Rock, Litchfield Co., Conn.
Locke, Cayuga Co., N.Y.
Lyons Falls, Lewis Co., N.Y.
Madrid, St. Lawrence Co., N.Y.
Mahopac, Putnam Co., N.Y.
Mallory, Oswego Co., N.Y.
Maple View, Oswego Co., N.Y.
Marathon, Cortland Co., N.Y.
Marksboro, Warren Co., N.Y.
Maywood, Delaware Co., N.Y.
Mexico, Oswego Co., N.Y.
Middleburgh, Schoharrie, N.Y.
Millerton, Dutchess Co., N.Y.

Mill Plains, Fairfield Co., Conn.
Montrose, Susquehanna Co., Pa.
Morrisville, Station, Madison Co., N.Y.
Mount Upton, Chenango Co., N.Y.
Neelytown, Orange Co., N.Y.
Newark Valley, Tioga Co., N.Y.
New Milford, Orange Co., N.Y.
New Woodstock, Madison Co., N.Y.
Nichols, Tioga Co., N.Y.
Oleans Corners, Jefferson Co., N.Y.
Oran, Onondaga Co., N.Y.
Otego, Otsego Co., N.Y.
Otisville, Orange Co., N.Y.
Owego, Tioga Co., N.Y.
Oxford, Chenango, N.Y.
Papakating, Sussex Co., N.J.
Parish, Oswego Co., N.Y.
Peruton, Tompkins Co., N.Y.
Pine Bush, Orange Co., N.Y.
Pine Island, Orange Co., N.Y.
Pine Plains, Dutchess Co., N.Y.
Plum Brook, St. Lawrence Co., N.Y.
Port Leydon, Lewis Co., N.Y.
Poultney, Rutland Co., Vermont.
Richfield Springs, Otsego Co., N.Y.
Richford, Tioga Co., N.Y.
Rosiere, Jefferson Co., N.Y.
Rouses Point, Clinton Co., N.Y.
Savona, Steuben Co., N.Y.
Schenevus, Otsego Co., N.Y.
Schoharie, Schoharie Co., N.Y.
Scio, Allegheny Co., N.Y.
Sharon Springs, Schoharie Co., N.Y.
Smithboro, Tioga Co., N.Y.
Solsville, Madison Co., N.Y.
Stanfordville, Dutchess Co., N.Y.
Stittsville, Oneida Co., N.Y.
Stormville, Dutchess Co., N.Y.
Sugar Loaf, Orange Co., N.Y.
Theresa, Jefferson Co., N.Y.
Thompson, Susquehanna Co., Pa.
Towners, Pulman Co., N.Y.
Tranquility, Sussex Co., N.J.
Tunnel, Broome Co., N.Y.
Turtle Point, McKean, Pa.
Ulster, Bradford Co., Pa.
Warwick, Orange Co., N.Y.
Washington Depot, Litchfield, Conn.
Washingtonville, Orange Co., N.Y.
Wassaic, Dutchess Co., N.Y.

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Waterville, Oneida Co., N. Y.
Weedsport, Cayuga Co., N.Y.
West Danby, Tompkins Co., N.Y.
West Edmeston, Otsego Co., N.Y.
Westmoreland, Oneida Co., N.Y.
Whitehall, x x Washington Co., N.Y.
Whitney Point, Broome Co., N.Y.
Wingdale, Dutchess Co., N.Y.
Wisner, Orange Co., N.Y.
Worcester, Otsego Co., N.Y.

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LIST OF PASTEURIZING PLANTS SHIPPING CANS ONLY.

Altona, Clinton Co., N.Y.
Brownville, Jefferson Co., N.Y.
Clayton, Jefferson Co., N.Y.
Clinton, Oneida Co., N.Y.
Cherry Valley, Otsego Co., N.Y.
Croghan, Lewis Co., N.Y.
Fishkill Plains, Dutchess Co., N.Y.
Georgetown, Madison Co., N.Y.
Holmes, Dutchess Co., N.Y.
Kingsley, Susquehanna Co., Pa.
La Fargoville, Jefferson Co., N.Y.
Lyon Falls, Lewis Co., N.Y.
Madrid Springs, St. Lawrence Co., N.Y.
Marksboro, Warren Co., N.J.
Mexico, Oswego, N.Y.
Mill Plains, Fairfield Co., Conn.
New Woodstock, Madison Co., N.Y.
Oran, Onondaga Co., N.Y.
Port Leydon, Lewis Co., N.Y.
Roseire, Jefferson Co., N.Y.
Schoharie, Schoharie Co., N.Y.
Stittsville, Oneida Co., N.Y.
Stonsville, Dutchess Co., N.Y.
Theresa, Jefferson Co., N.Y.
Towners, Putnam Co., N.Y.
Tranquility, Sussex Co., N.Y.
Esteivk, Orange Co., N.Y.

Ex. 56
Dec. 26, 1917
page 1750 of Minutes.

BORDEN'S FARM PRODUCTS COMPANY, Inc.
CITY PASTEURIZING PLANTS.

	Cans Per Day	
	Now Handling	Can Handle
952 DeKalb Avenue, Brooklyn	1,150	1,200
55 Steinway Avenue, L.I. City	800	1,000
310 East 117th Street, N.Y.City	Closed	500
4362 Park Avenue, N.Y. City	600	800
90 Third Avenue, Brooklyn,	1,200	1,500
144 Provost Street, Jersey City	700	1,200
322 East 103rd Street, N.Y.City	600	600
	5,050	6,800

Ex. 57
December 26, 1917
p. 1751

BORDEN'S FARM PRODUCTS COMPANY, Inc.
No. 1 and 2

Actual price paid farmers for three years past, by zones.

	1915		1916			
	Long Haul	Short Haul	Long Haul	Short Haul	Carthage Allegany	Allegany
Jan.	1.922	1.982	1.858	1.891		
Feb	1.808	1.887	1.785	1.836		
Mar.	1.743	1.829	1.731	1.797		
Apr.	1.406	1.487	1.530	1.603	1.486	
May	1.161	1.269	1.282	1.361	1.362	
June	1.111	1.196	1.224	1.302	1.297	
July	1.305	1.373	1.398	1.477	1.334	
August	1.494	1.534	1.586	1.655	1.516	
Sept.	1.605	1.624	1.732	1.747	1.665	
					Carthage	
Oct.	1.907	1.898	2.380	2.398	2.206	2.209
Nov.	2.028	2.005	2.476	2.476	2.310	2.313
December	2.001	2.002	2.447	2.468	2.371	2.318

Actual Price Paid Farmers For Three Years Past, by Zones.

1917

	Long Haul	Short Haul	Carthage	Allegany
Jan.	2.368	2.396	2.294	2.384
Feb	2.298	2.347	2.214	2.297
Mar.	2.223	2.289	2.141	2.177
Apr.	2.230	2.339	2.110	2.146
May	2.189	2. 301	2.074	2.090
June	2.089	2.203	1.981	1.980
July	2.305	2.424	2.079	2.203
Aug.	2.790	2.884	2.676	2.697
Sept.	2.857	2.876	2.742	2.766
Oct.				
Nov.				
Dec.				

EXHIBIT 58
12/26/17.

Borden's Farm Products Company, Inc.

Volume of Purchase

	Nov. 1916	Nov. 1917
State of New York	35035928	32890593
Outside of New York	3303578	3214258
Total pounds	38339506	36104851

Butter made May 1917	944 Lbs.	
" " Dec 1917	3226 "	12 days available

Cheese made May 1917	21819 Lbs
" " Dec 1917	

EXHIBIT 59
12/26/17

Borden's Farm Products Co. Inc.

Average Butter Fat Content

1916	Nov.	4.0
	Dec.	3.9
1917	Jan.	3.8
	Feb.	3.7
	Mar.	3.6
	Apr.	3.6
	May	3.6
	June	3.6
	July	3.7
	Aug.	3.8
	Sept.	3.9
	Oct.	4.0
Average 12 mos.		3.74

MEETING OF THE FEDERAL MILK COMMISSION FOR THE MIDDLE STATES, held in the Committee Room of the Aldermanic Chamber of the City Hall, at New York City, on Wednesday, December 26, 1917, at 1 o'clock P. M.

There were present:

W. H. JORDAN, Chairman,
MABEL HYDE KITTREDGE,
EUGENE SCHOEN,
BRADLEY FULLER,
LUCIUS BROWN,
MORTIMER L. SCHIFF,
CHARLES M. DOW,
JOHN MITCHELL,
ARTHUR WILLIAMS,
S. C. SHEDRICK,
A. BARTON HEPBURN,
FRANK W. STEVENS, Counsel.
FRANK E. PERLEY, Secretary.

APPEARANCES:

MR. ALGER, Counsel for Distributors.
MR. BAIRD, Counsel for Consumers.
MR. MILLER, Counsel for Producers.

The Chairman called the meeting to order at 1:23 P. M.

MR. MILLER: Mr. President, while we are waiting for Mr. Alger, I have one document here that I would like to offer in evidence. You will recall that the morning that the testimony on the part of the producers closed, there was offered in evidence by Mr. Stevens a letter and questionnaires answered as to the cost of production and the cost of producing silage, by Mr. Runkle, Roy P. Runkle. We had no opportunity to examine that witness, of course. In the letter, however, he cleared up many of the questions that

we would have asked him on cross-examination, but not all of them. He stated in that letter that he had computed man labor at too low a figure, but did not state how much too low. He further stated that it would cost most of the farmers more to produce silage than it did him, because he used a tractor, but did not say how much more it would cost.

I therefore wrote him asking him to clear up those two points, and I have his letter here in reply. I submitted it to Mr. Stevens, and I would like to ask that it might be admitted in evidence.

THE CHAIRMAN: Well, it can be admitted for record, but I question whether we can incorporate now into our analyses anything received so late, because the exhibits have been in the hands of an expert in that matter, and he has made his digest on the basis of the exhibits furnished up to the time we closed the hearing for the producers.

MR. MILLER: I take it that that would be the case, clearly, upon the question of the cost of producing milk.

THE CHAIRMAN: Yes.

MR. MILLER: The material thing that I would call attention to is the cost of producing silage. He has now made a statement showing what it would cost the farmers this year to produce silage, if it was not using a tractor, and of course the most of the farmers do not.

THE CHAIRMAN: The communication will be admitted

for record.

(Received in evidence and marked Commission's Exhibit 39 of this date.)

MR. ALGER: Now, I am going to offer in evidence at this time some further exhibits that you requested the distributors to furnish, and some of the detailed figures which were asked from the Borden Company will be ready by three o'clock. They have been working all this time in getting those things in. There are quite a lot of things that were asked for, and they are trying to get it in. By three o'clock we will have those things in.

I have got three copies of the formal statement, giving a combined picture of the Grade B milk business during the month of October, copies of exhibits which Mr. Kracke made the other day, and which are in the record. I will give one to Mr. Stevens, and the other -- I have two extra copies here for the Commission which may be convenient to use instead of looking at the one you have.

I have here an offer in evidence of separate statements for the twelve months ended October 31, 1917, covering Sheffield Farms Company, Empire State Dairy Company and Borden Farm Products Company. Those three can be marked as three exhibits.

(Received in evidence and marked Commission's Exhibits 40, 41, and 42.)

MR. ALGER: Then I have had prepared by Mr.

Nathans, and carefully compiled, two charts. If you wish, I would like to have Mr. Nathans make a statement explanatory of these charts as they go in. That is not exactly oral testimony, but it is in explanation of these charts, which makes them a little more intelligible, I think, to the Commission, if you are prepared to take that statement at this time.

THE CHAIRMAN: Mr. Nathans may proceed.

MR. ALGER: Just take those charts and explain their purposes and the results which they show.

MR. NATHANS: I gave an extra copy of this.

MR. ALGER: Now, what is the first chart you have in your hand?

MR. NATHANS: This chart is an exhibit covering a period of 47 years, 1870 to 1917, showing the average price per year paid to producers for milk, based upon the Borden average butterfat content for the year 1916 and 1917. It is realized that the same average of butterfat content might not apply throughout the period from 1870, but there are no figures definitely available for that period, and it would only be such changes as in the type of cows, and so on, that might occur, that would influence it. That line is shown -- Mr. Stevens, I will give you the original, if I may, and I will take the copy.

MR. ALGER: You can follow better by the color.

MR. NATHANS: That line is shown on your copy

there in black, the lower line.

MR. ALGER: What does that lower line show?

MR. NATHANS: The lower line is the average price paid to producers during the period 1870 to 1917, for the average butterfat. Compared with that, we have the average market price of butter, as shown by the Milk Reporter and the New York Produce Review, and that is the line shown in yellow.

MR. ALGER: Now, let us see, which line is that?

MR. NATHANS: That is the upper line.

MR. ALGER: The upper line, yes.

MR. NATHANS: The line shown in yellow for the period 1870 to 1917, inclusive.

MR. ALGER: Yes.

COMMISSIONER BROWN: Mr. Nathan, just how authoritative is that, those Milk Reporter figures?

MR. NATHANS: Well, those figures are really the New York Produce Review's figures, Erner & Barry Company; and about as reliable as any on record, for the creamery extras, 92 score. It will be noted here that the price of butter in the year 1917 is the highest in any period, in the 47 years of history; and that the price paid for milk is likewise higher than any single year in 47 years, and it therefore becomes necessary to establish a relation between those two, in order to make a proper comparison, and that has been done in the red line, which is the

percentage which the price of a quart of milk bears to the price of a pound of butter in each one of those years. The monthly fluctuations are shown in dotted lines of the same colors for the years 1915, 1916 and 1917; and you will note that in 1870 the relationship was expressed by the figure 13-1/2. It is apparent that if the parity has been maintained throughout that entire period between the value of a quart of milk and the price of a pound of butter, that red line would be entirely straight.

MR. ALGER: That is the line immediately above the lower line?

MR. NATHANS: Yes sir. And it would be a horizontal line; and whenever the price of milk advances in this respect, as stated in terms of butter, in greater proportion than the price of butter advances, the red line turns up. It must necessarily do so. And when it declines in value, in terms of butter, the red line turns down. In the monthly tabulations for 1917, 1916 and 1915, it will be shown that the average price of -- the relationship between milk and butter shows a marked increase in the value of milk as compared with the same quantity of milk, expressed in terms of butter.

MR. ALGER: That is, milk is out of proportion to its butter price, butter value?

MR. NATHANS: Yes, and as indicated in the average for the previous two years.

MR. ALGER: Yes.

MR. NATHANS: Now, the same thing has been done with respect to cheese. The green line represents for a period from 1897, the average yearly price of American chedder cheese on the New York market, and the green dotted lines represent the monthly fluctuation in three years, and the percentage relation, established in just the same way as shown, in purple.

MR. ALGER: Yes.

MR. NATHANS: A memorandum is attached, fully explaining the authorities.

MR. ALGER: The main fact that you draw from that map, Mr. Nathans, is what?

MR. NATHANS: The main fact is that the price of a quart of milk, with respect to its relation to the price of a pound of butter, has reached a point where it is becoming a very serious question, as to the applicability of the distributor or purchaser of milk to meet the market conditions with respect to the sale of surplus in the form of butter.

MR. ALGER: In other words, whatever surplus he gets, he has to dispose of at a relatively greater loss than in previous years?

MR. NATHANS: Yes sir.

COMMISSIONER FULLER: Mr. Nathans, in that tabulation, do you take into consideration the value of the

by-products left after the fat is taken out for making butter, in the form of skimmed milk and other by-products?

MR. NATHANS: What we have done is to merely apply the same basis throughout, Mr. Fuller. It makes no difference whether you have a hundred pounds of milk or a quart of milk, or what quantities you have, if you apply the same ratio.

COMMISSIONER FULLER: As I understand you, you are comparing butter with whole milk?

MR. NATHANS: In values, yes sir.

COMMISSIONER FULLER: Yes, in values.

MR. NATHANS: Yes sir.

COMMISSIONER FULLER: Now, after you take the butter out, you still have a by-product of some value, haven't you?

MR. NATHANS: But you would still have that same value in 1870 as you would have in 1917.

MR. MILLER: May I ask Mr. Nathans a question, Mr. Alger?

MR. ALGER: Certainly.

MR. MILLER: Mr. Nathans, I take you have not prepared any chart showing the relative prices received for milk and condensed milk?

THE WITNESS: No.

MR. ALGER: So much for that map. Has that map been marked?

MR. STEVENS: It has not.

(Map offered by the distributors marked Exhibit No. 43.)

COMMISSIONER SCHOEN: May I ask, Mr. Nathans, whether so many by-products were manufactured in 1870 as are being manufactured in 1917 of the milk that is left after butter is extracted?

THE WITNESS: Possibly not.

COMMISSIONER BROWN: I do not think, Mr. Nathans' comparison there is strictly accurate; the manufacture of casein is almost strictly unknown in 1870, but possibly a certain amount of skimmed milk and cheese was made then and has been made since. But I do not know that our butter figures ought to be exactly the basis on which we should base those comparisons. I think the point made by Mr. Fuller is a good one.

MR. ALGER: As to some portion of the volume that doubtless might be so, but the main uses ofmilk other than the liquid milk, is in the form of butter and cheese now as it always has been. What is the next map?

THE WITNESS: This chart is also accompanied by a complete memorandum showing the manner in which it was prepared, but in brief it represents statistics of four companies, the Sheffield Farms, The Mutual-McDermott, Empire State and Alexander Campbell companies.

Q Representing what percentage, as far as you know, of the total milk that the city receives? A These purchases shown by the line in red on the lefthand side represents 22.8 per cent. of the total amount of milk brought into the city of New York -- or rather, may I correct that, it is not the line in red. The receipts of these companies -- that is the receipts in the City of New York -- represent 22.8 per cent. of the total receipts as shown by the Milk Reporter for the New York Milk market, which includes, as has been explained, the Jersey cities, as well as Greater New York. The line in red on the lefthand side represents the purchases of these companies from farmers during the ten months of this year.

Q That is the top line? A That is the top line -- in pounds. The line in green immediately below, that represents their sales in pounds of condensed milk and cream, reduced to terms of fluid milk in order to make a proper comparison between purchases and sales. The line in solid green at the bottom represents the amount of milk which these companies put into cheese in each of those months, the line in yellow the amount which they put

into butter; the line in black, which is white on the photo-prints, represents the combined quantity of milk thatv went into butter and cheese, and the line in purple the amount of milk in pounds which went into cream. Cream is not ordinarily considered a surplus product, but this year being an abnormal one, with greatly increased production and the decreased consumption in many cases, the only available outlet without very serious loss was cream, and much of it is still on hand, which ordinarily would have been disposed of by this time, and as a result, therefore, it is in the nature of surplus product this year. It represents butter fat held in another form.

Q Now, you really have two maps, have you not? A There are two parts to this chart; yes, sir.

Q What is the second one? A On the right hand side the line in solid green -- the line in dashed red represents the value at Dairymen's League prices for the average butter fat content each month of the milk which went into cheese, and the line in green represents the average, with the weighted average price, the New York market price, of American cheddar cheese for that same quantity of milk less 2 cents a pound for the making, which is the cost of making and includes all expenses. Therefore the space between the green line and the dashes red line indicates the loss. The line in dotted red is in the same way the value at Dairymen's League prices for the average butter

fat test of the amount of milk which went into butter, and the line in yellow represents the average New York quotations, the market price on creamery extra butter in that same period, less three and a half cents a pound to cover the cost of making and expenses, and the difference between those two represents the loss. Similarly, the line in solid red represents the total value of the milk which was manufactured into butter and cheese, and the line in black, and white on the photo prints represents the combined by-product value on the same basis.

Below we have a line indicating the loss that was entatiled in the making of butter, in the making of cheese and in the making of both butter and cheese at the milk market prices in the month in which they were made. Of course, it is not known, at least this chart does not undertake to show, the quantities or prices at which that butter and cheese was disposed of, and what still may be on hand. For the sake of argument, assuming it was disposed of at current prices in October, which are higher than the averages ,average prices for the period, there is still a loss as indicated by the lower line in each case.

(The map referred to by the witness was marked Exhibit No. 44.)

Q Are there any figures to show what that loss amounts to in terms of dollars, Mr. Nathans? A Well, without

looking it up and using only this chart, we would say that the loss on butter at the current monthly prices amounted to $240,000.00, and if held, if the entire pack were held until October and disposed of, the loss would have amounted to $190,000.00, on cheese the loss would have been $40,000.00, and if held until October about $35,000.00; making a combined loss of about $280,000.00 on both products, or if held until the present time, or until October, the loss would have been $230,000.00.

Q That represents in graphic form the cost of handling the surplus which has fallen upon these four distributors during the months covered by that chart, this year? A Yes.

COMMISSIONER SCHOEN: That does not, however, represent anything with reference to the buttermilk or milk powders, does it?

MR. ALGER: No. There are always details that cannot be covered. These are the main uses to which the milk can be placed, either butter or cheese; the staples into which they can be transformed.

MR. MILLER: How about condensed milk?

COMMISSIONER KITTREDGE: Yes, condensed milk.

MR. MILLER: You are not including that as one of the main features?

THE WITNESS: No,sir. In the first place condensed milk can only be manufactured at such places as a reasonable quantity of milk or rather a sufficient quantity of milk

offers, and that is not the case with respect to the great portion of the creameries throughout the country; they could not profitably be run as condensed milk plants. If all of the creameries in order to take advantage of the temporary rise in the price value of condensed milk were equipped to do condensing, the loss on the consumer due to inoreaesed expenses would be very much heavier than in making up the by-products as opportunity best affords, because the cost of equipment in those smaller places would far exceed the value or return from the by-products.

COMMISSIONER FULLER: Most of those places are equipped to make cream cheese, are they not?

THE WITNESS: At most creameries; not all; but at most creameries there is equipment to make either butter or cheese, depending on the locality.

COMMISSIONER FULLER: If you have not that cheese you can make skimmed cheese from butter?

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: There is nothing on this chart which shows the value of the cheese?

THE WITNESS: This is all American cheddar cheese, including the retail and wholesale, the weighted average of all cheese received in New York, so that the loss is probably greater if you take the cream cheese into consideration, as perhaps in most cases cream cheese, if made of the whole milk, is more largely made.

BY MR. STEVENS:

Q Mr. Nathans, who prepared these charts which you have offered in evidence? A I did, sir.

Q From what data? A From data as to quantities of milk purchased and made up into by-products furnished by four companies referred to.

Q Have the data from which you made these curves been introduced in evidence here? A No, sir -- that is, not the actual figures. No, sir.

Q Then this comes to us entirely at second-hand, you know nothing about the correctness of the figures submitted to you by these companies personally? A I asked for them specifically and received them; yes, sir.

Q So that so far as this commission is concerned it is entirely unsworn evidence? A Exactly; yes, sir.

Q Not verified? A (No answer).

BY MR. ALGER:

Q That is, specific information you asked from each of these distributors? A Yes, sir.

Q And you obtained it and put it into this form? A Yes, sir.

MR. STEVENS: The difficulty, Mr. Alger, is we have had no opportunity for cross-examination of this.

MR. ALGER: Yes, sir, I appreciate that. And also we could make a more complete case if we had a month more.

MR. STEVENS: Or six months.

MR. ALGER: Or six months. We have got to do the best we can within the time we have.

MR. STEVENS: Yes, I understand all that; but I thought it desirable to have it appear on the record as to what it was.

THE WITNESS: That is right.

MR. ALGER: Just one more question, Mr. Nathans. This is a list of members of the Milk Conference Board? Mr. Baird wanted us to furnish a list; I ask if that is the correct list (indicating to witness)?

THE WITNESS: I believe it is there. There might be one or two additions since that was printed last month.

MR. ALGER: I am going to offer that list here.

(The list was marked Exhibit No. 4 5.)

COMMISSIONER SCHOEN: May I know, Mr. Chairman, whether the members of the commission, each of them, are going to be provided with these tables?

THE WITNESS: These charts?

COMMISSIONER SCHOEN: Yes.

THE WITNESS: I was going to do that, yes. I will see that each of you are furnished with one tomorrow.

THE CHAIRMAN: They will be photo copies, Mr. Nathans?

THE WITNESS: Yes, they will be photo copies. Yes, sir.

MR. ALGER: Requests were made in the course of these hearings on the Borden Company for additional data, and I understand Mr. Waugh is to have that here, I believe, by three o'clock. They have been working on it with all their force to get that in shape. It is my understanding that we could not have had any more time than this, and I appreciate the time is very short, and that will have to be all the evidence which in the nature of things we can introduce at this time.

THE CHAIRMAN: I understand, Mr. Alger, that you expect to present a brief?

MR. ALGER: Why, my situation is a very embarrassing one. These records have come in slowly as you see. I have had very little personal opportunity to examine any one of them, and if I asked for time in which to put in a brief it would certainly take me several days to do it, and that would cut down the time of the Commission. It is a very undesirable situation for me to be placed in as well as the Commission.

I see Mr. Miller has a brief here and I have not.

THE CHAIRMAN: You expect, then, to present an argument before the Commission?

MR. ALGER: Why, I think then, in view of the nature of the situation, that will be what I shall have to do.

THE CHAIRMAN: I was simply going to remark that it is extremely desirable that the arguments and briefs so far as you are going to present them should be in as soon as possible, at the earliest opportunity.

MR. ALGER: Have you any time to suggest, then, Mr. Chairman? I do not desire to embarrass the Commission by still further shortening the short time that the Commission has.

THE CHAIRMAN: If the Commission is expected to give full consideration to the arguments or briefs, they

ought to be in tomorrow.

MR. ALGER: Do you want to fix the time for the argument? Wouldn't it be better to have an argument instead of briefs?

THE CHAIRMAN: I do not know how the Commission looks at it, but I wish we could have it at our morning session at ten o'clock tomorrow.

MR. ALGER: Very good, ten o'clock tomorrow. I will prepare myself for that time.

THE CHAIRMAN: Mr. Miller is prepared to present his argument at this time. If there is no objection we will hear Mr. Miller.

MR. MILLER: At this time, Mr. Chairman?

THE CHAIRMAN: At this time.

COMMISSIONER BROWN: Mr. Chairman, before Mr. Miller gets into his argument, I think there is one set of figures that have not been furnished and should be furnished by the distributors, and that is the percentage of butterfat that has been received by the Borden Company in the past year or two. Haven't you got that, Mr. Alger?

MR. ALGER: I think that is one of the things Mr. Waugh has put in. We are putting in all our exhibits at the same time.

COMMISSIONER BROWN: I wanted to be sure that they were all in.

THE CHAIRMAN: May I ask, Mr. Miller, whether you

will read your brief, or whether it is necessary to take it down?

MR. MILLER: I will not read the brief. I will discuss more briefly, I hope, than the brief does itself. In fact, I feel like apologizing to the Commission for the length of this brief. My only excuse for it is the short time in which I had to prepare it. If I could rewrite it, it would be more convenient. It reminds me of an experience I had in my early days, when I was presenting my brief to a court, and the brief had covered about 40 pages. The Judge was good enough to say to me -- he said, "Mr. Miller, what we want is a brief, I have got a library."

Perhaps it may not be out of place for me to bfiefly state to this Commission the events that led up to the appointment of this Commission.

The farmers, in September, fixed a price for their milk for the months of October and November, basing those prices upon the cost of production, so far as they could foresee such costs.

The dealers, on the first of October, made a raise in the prices to the consumers and stated that they were going to make another raise the first of November. The Food Administration in Washington became somewhat anxious over the situation, and the officers of the Dairy Mens League and the officers of the Milk Dealers Conference were called to Washington to confer with Mr. Hoover.

The first suggestion that the farmers made was that the usual increase in price for December over November would not be made, pending the appointment of the Commission, but the distributors insisted that if the November prices continued they would be compelled to raise the price to consumers; and finally, as a result of their negotiations, and because of a duty which the officers of the Dairy Mens League thought they owed to the Government, they consented that the price for December should be produced below the November price, back to the price for October, upon condition that a commission should be appointed, a commission with power to fix prices for three months based upon the evidence

as to the cost of production; that the price so fixed by such commission should be based upon cost of production plus a reasonable profit, and that price fixed upon the evidence which would be produced before the commission; and the warrant of authority, which this Commission have read, so provides.

A further provision -- it was an important one, and which was one of the considerations moving to the farmers -- was that if this Commission finds that the price being paid to farmers for December is not a reasonable price based on the cost of production and a reasonable profit, that this Commission shall so adjust prices in the coming three months so that the farmers may be recouped for their loss in December.

In the briefs that I have filed, I have touched, or rather included with them -- and have one of those for each member of the Commission -- the October price sheet of the Dairy Mens Leage, which is the same as the price sheet for December; also an article written by Professor Warren, which was published in the Cornell Countryman, which I ask you to consider as a part of this brief; and in fact, I have borrowed from it very freely in preparing the brief.

Before taking up the main questions involved, may I express the hope that this Commission will not consider the question of changing the base upon which milk prices are fixed. We feel very strongly that 3 per cent milk is the

proper basis; that any other basis adopted would be most unsatisfactory to the farmers, even if the result was that they received the exact price in dollars and cents per hundred pounds for their milk. 3 per cent milk is the state standard, and is approximately the lowest standard at which market milk is produced; that is, if we assume that market milk is produced which will range in its butterfat test from 3 per cent up to perhaps 4.4 or 4.5 per cent, that it would be unwise to have the base price fixed at any legal period, working up and down; that it either should be at the lowest test or the highest test. But one of the strongest reasons that appeals to me in urging upon the Commission not to change that base of 3 per cent, is that it will cause confusion and dissatisfaction among our people back home, who won't understand the reasons of it.

There is a certain psychology that enters into it here. A farmer, even if he receives the same price per hundred pounds for milk, prefers must that his herd should be credited with a premium for more butter fat than the case requires, than to be penalized because his herd produces a poorer or thinner quality of milk.

Now, this is a matter of more importance to the farmers back home than, I take it, would appeal to many of the people here; and yet it is a reason that has considerable weight, in my mind, and I believe in the minds of the farmers back home. Further than that, we believe it would give an unjust impression to the city as to the raise of price to the farmers if the price was based on a 3.5% milk, and the price to be published, that this commission had fixed, previous prices being upon a 3% basis. If this was published on a 3.5% basis, giving them 20 cents a hundred more, the people in the cities would get the impression that the raise to the farmers was more than it actually was. I will not discuss that branch of it any further.

One more general proposition; the evidence before this commission shows that the bulkmof the milk which comes into Greater New York and the adjacent territories is produced more than 250 miles away. We therefore ask this commission, when you have determined what is a fair price to be paid to producers, that that

price be paid where the milk is produced; and the bulk of it is produced more than 250 miles away, according to the evidence before this commission. The prices heretofore have been the base price, which for October and December is $3.10 a hundred, beginning, I think, according with the schedule, with something about 50 miles away from New York. Therefore, the farmers out in the country where the great bulk of th milk is produced are not receiving that price, but are receiving that price less the freight charges.

I am not going to take the time of this commission to discuss the matter of distribution. I do want to say this, however, that I would be glad to be placed on record here as joining with Mr. Baird in asking this commission, at any convenient time -- I can see very clearly that there is not time to do it now -- but at some convenient period, to take up the questions that he suggested for investigation. We believe that that is pertinent and material, ultimately; if for no other reason, it is pertinent and material as to what a reasonable value shall be to the distributors.

Nor am I going to take time to discuss before this commission the general farm conditions. I have touched upon it in the brief. I wish I had the power of analysis of Mr. Stevens and the eloquence of Mr. Alger, to explain to this commission conditions as they are back

home on the farm. In fact, it may not be out of place for me to call the attention of this commission to the unequal battle, which the farmers are waging, waging right here before this commission. We have the not the assistance of high-paid expert accounts; we have not the assistance of high paid expert lawyers. Why, the attorney who represnts the farmers is simply selected because he happened to be one of the directors of the Dairymen's League; and you early discovered that he was handicapped in many ways.

But we are here, strong in one sense, and that is in the justice of our cause; and we would be glad to have an opportunity to present to a commission having well-defined authority, evidence as to the costs of production of milk, as to the conditions under which the dairy farmer must live and labor. For, this whole question, gentlemen, is that of a living wage. The dairy farmer is a skilled farmer who differs from other laborers, he furnishes the tools with which he labors and the place where he labors. It is the old struggle between the great mass of unorganized, or loosely organized, widely scattered few, who work with their hands, against a closely organized few. That the dairy farmer works more hours a day, a week, a month, or a year, is fully shown by the evidence in the case. That the consumer may have his daily supply in the city, the dairy farmer must labor 365 days in the year. He must transport that milk in the heat of summer or through the blizzards of winter

to the milk receiving stations, many times several miles from his farm. He must, because of the conditions of labor, employ the hired men, not that he can choose, but those that he can find, who are hired because they must be, in many instances. He must board these men in his family, and they are not always congenial companions. The children of the farmer brought under the influence of those men, that influence not always beneficial; the dairy farmers' life is a hazardous one, as is shown by the evidence in this case, and which I have recited in the brief, which I will not take time to discuss to you.

I wish that the gravity of the milk problem, as it impressed itself upon my mind, should be impressed upon the mind of this commission; that all the evidence in this case, the drift from the farms to the city, the fact that farms are selling for less than the replacement costs of the buildings upon them, the fact that there are fewer cows in this State now than there were seventeen years ago, and that there has been a great increase in the consuming population in the cities. The fact, testified to both by Mr. Van Cise and by Mr. Cronk -- by Mr. Cronk in reply to my questions -- shows that the milk territory tributary to the city is now nearly all pre-empted by milk receiving stations; that there but very few points where new receiving stations can be located, that won't draw milk from other stations now located.

And Mr. Cronk's answer, as I recall it, when he was asked what that suggested to him as to the adequacy of the future supply of milk -- his reply was, "Only by more intensive dairying." And when he was asked if he could think of any method to induce dairy farmers, or induce farmers to take up more intensive dairying, he could suggest no other method than that of an increase in price sufficient to induce them to do it. The adequacy of the future milk supply of this city is at stake, and is at stake before this commission. An inadequate price fixed by you will mean that more and more of the dairy herds will be slaughtered. It means that fewer and fewer heifer calves will be raised, and bye and bye this consumption is coming back.

It is unthinkable that if milk is sold to producers at a reasonable price, based upon the cost of production and the cost of distribution, and if that milk at s ch price is as cheap a form of animal fat food as they can purchase in any other form -- and the evidence is that it is a cheaper -- consumption is bound to come back to normal sooner or later; and when it comes, where, I ask you, under the evidence in this case, is the milk coming from? unless a price is named that will encourage milk production.

The evidence in the case shows that there are now too few heifer calves, there are not enough heifer calves being raised to maintain the herds at the present number.

Now, all this speaks volumes as to the profit, or want of profit, to the dairy farmer in the past, in producing milk. Milk has not raised in price as has other farm products. What does this mean? It means that the dairy farmer, if that be permitted to continue, will abandon dairying, some of them -- not all of them, but enough of them to make a material difference in the supply of milk, during that part of the year when milk is short. They will divert their farms to other uses.

The report of the New York Food Supply Commission shows that of the sons of the present farm operators, 44,170 have left the farm for work other than farm labor; and of the daughters, 33,130.

Now, young men do not voluntarily -- young men or old men do not voluntarily abandon a paying business.

Right here I would like to call the attention of this Commission to a factor that we consider of much importance. At the hearing at Watertown, you will remember, it developed that one of the milk dealers was in financial trouble. Since the evidence on the part of the producers has closed before this Commission, one of the large distributors has gone into bankruptcy. That company owes the farmers over $200,000. There has been no method yet that we have been able to devise by which that resulting loss can be distributed over the whole territory. It falls upon a few, comparatively few, in a few localities. I submit that this

is germane to the question before this Commission, which is the cost of production, because that necessarily increases the cost of production. There is not sufficient data before this Commission to show how much it increases it; and I am not speaking about it for that reason as a factor to add to the increased costs, to add anything to the costs of production; but in fact, it is proper to show the necessity for relief.

Now, we suggest to this Commission that you recommend to the Food Administration that the Federal Government under its licensing power, under the regulatory and inquisitorial powers of the Government under the law, requiring these dealers to take out licenses, that these dealers shall either satisfy that administration of their solvency, their ability to pay, or else that they be required to give bonds to secure the farmers against loss.

As stated by me, at a hearing at Watertown, we had a law something of that character in New York state. It has, however, by the Appellate Division, been declared unconstitutional. It has not yet, I understand, been argued in the Court of Appeals. And New Jersey has such a law, which has not been tested by the courts. How the Court of Appeals will dispose of that, of course, we don't know, although the dissenting opinion by one of the justices of the Appellate Division is a very strong and well written opinion, and we have some hopes that the Appellate Division -- that the

Court of Appeals will still sustain the law of the state.

COMMISSIONER FULLER: Pardon me an interruption right there, Mr. Miller. Since the decision of the Appellate Division, I am informed that it has been optional with the distributor as to whether or not he gave any bond.

MR. MILLER: Yes sir, I understand it to be so. Now, the Dairy Mens League have been searching diligently for a remedy. In the case of many of the smaller dealers, the Dairy Mens League sign individual contracts with the members, with the dealers. But in the case of this long list of dealers, which includes all of the principal dealers, who nearly all are members of the Milk Conference Board, they refuse to sign contracts, the Board taking the position that under the law they can't legally do so.

Now, in the case of the dealers with whom contracts are made and signed, the League investigates their financial responsibility, and before executing contracts with them require bonds that they deem necessary.

Now, if the Federal Government can't give the farmers protection along the lines that I have mentioned, or any other way which they may devise, then we suggest that this Commission recommend that all of the dealers, whether they are members of the Milk Conference Board, or not, be required to contract individually with the League, in order that we may investigate their financial standing and require a bond if it is thought to be necessary.

We further ask this Commission to direct that payments for milk be made semi-monthly. The practice heretofore has been to pay on or about the 15th day of the month for the milk bought the previous month.

MR. STEVENS: Is that within the power of the Commission under the warrant?

MR. MILLER: We think it might be germane, Mr. Stevens, for this reason, bearing upon the question that I have just been discussing, the danger of loss and the increase of cost of production by reason of the insolvency of the dealers, and in that way, and in that way only, I think.

If it was not for that, I think that the point would be very well taken; but, considered in that light, it is germane to the authority given to this Commission. As it is now, the dealers are practically doing business on the farmers money, while the farmer is paying interest. If the farmer was paid twice a month, he would lose only half as much, in case of the insolvency of the dealer.

Now, I want to briefly discuss, before taking up the question of prices, this matter of surplus milk. It has no bearing upon the price that this Commission is to fix for the farmers. The warrant of the authority very clearly states that such price shall be fixed upon the costs of production plus a reasonable profit. The distributors, however, always, in every discussion of prices, inject into that discussion, the question of loss for manufacturing

milk.

Now, the words "surplus milk", I believe to be an unfortunate expression. Past all question, there is no world-wide, nation-wide or state-wide surplus of milk and milk products. There is a shortage.

There is, however, in certain seasons of the year more milk produced in the territory tributary to Greater New York than is consumed in the fluid state. The surplus is manufactured into either condensed milk, butter or cheese. The distributors in all the discussions that we have with them, and in their evidence before this Commission, keep away, as far as possible, from the condensed milk, although it is conceded, and was conceded by Mr. Nathans in his testimony this morning, that their presently was a high profit in condensing milk.

But the point I want to make to this Commission is that if ever the price to producers is based upon what may be received for that milk manufactured into butter or cheese, it will immediately become necessary for the farmers to re-adjust their herds so as to produce only summer milk, and the people in the city would have to use three times as much milk in the summer as they do in the winter, and in the winter there would not be nearly enough milk to supply the demand.

Butter and cheese are a summer product. Farmers who keep their herds for the purpose of producing butter and

cheese, have their cows freshen in the Spring, when the great bulk of milk can be produced at the lowest possible cost. During those months that milk is manufactured into cheese and butter and stored for winter use, so that the costs of cheese and butter today are simply what it cost to produce that milk last summer plus only the interest charge and the cost of storage.

Therefore, the question of what butter and cheese now cost the holders is largely a question of whether pastures were good or poor last summer. But, to the farmers who produce market milk and who must produce a certain uniformity of quantities the year around to supply the people in the city, these farmers who are producing market milk this month in December, their costs are not what they were last summer. Their cost is based upon the costs of feed and labor as they now are, and we can see how immaterial, so far as the price to producers is concerned, is all this discussion as to surplus milk. They are two distinct and separate industries.

In the territory where market milk is produced and brought to this city, some farmers still prefer to manufacture their milk into butter or cheese, considering it more profitable to do so, by having their herds freshen in the spring, produ ing the great bulk of their milk at the time when it is produced at the lowest possible cost, and then bymanufacturing that into cheese and having the valuable by-products, skimmed milk to feed to their calves and pigs, which they can keep liberally, they figure that they make a bigger profit than do the farmers who are selling milk for market milk.

The evidence discloses -- I do not now recall the name of the witness, but I think it was one sworn at Watertown -- testified that he had bought back skimmed

milk from the dealers during this fall, and paid them 60 cents a can, which was one and one-half cents a quart, to feed to his calves and pigs and so on.

Right here comes the thought in my mind -- it is not in evidence, but I do not think it is improper for me to state it -- bearing upon the question of protecting the farmers against loss of his milk and also the necessity for a higher price. Mr. Manning, the Secretary of the Dairymen's League, told me last Friday, after the close of the hearing, that one of the largest feed dealers in Orange County had given notice that he should require security from the farmers for the payment of the feed to them. Now, I take it that that is not general all over the milk territory. I have not heard from it from any other point and the reasons that he stated were that at the price that they were receiving for milk, and the price they were paying for feed, they simply could not stand it, and it was a losing business, and he would either require cash for his feed, or else that they give security.

Now, Mr. President, if I may take up briefly -- and I will try not to weary this commission -- the testimony as to the costs of producing milk. Now, I submit that under the evidence in this case that hay as a factor in milk productionshould be charged at $20.00 a ton, under the evidence; that silage should be charged at $8.00 a ton; dry forage other than hay at $12.00 a ton; and labor

at 30 cents a hour. We think that is a fair synopsis of the testimony in this case. Based upon that, you will find in the evidence of Prof. Warren -- and right here let me say, gentlemen, that the witnesses who were produced before you, the farmers, were all or nearly all of them farmers who produced milk at less than the average cost. We sent out word, telegrams and letters, to county leaders, to farm dairymen throughout the State or throughout the counties adjacent to Utica and Watertown, to send in witnesses to prove the cost of production of milk, their word would go out to the leaders in those sections, the men who keep accounts, accurate accounts. These men are exceptionally proficient in the business. Therefore, their costs of production are necessarily, and under the evidence are, lower than the great average. Now, how much lower Prof. Musser of Connecticut gives you some idea. He testified that the farms where the experiments were made in Connecticut under his supervision, produced milk at an annual cost, I think, of $3.16. I will reach that in a moment -- per hundred, but that it costs the average farmer in Connecticut $.69 a hundred pounds more. That is his evidence, and it gives you a very powerful side light as to how much more it will cost the great average in New York State.

Now, what would be the effect of this commission fixing a price, the average price throughout the State?

If a price were fixed to the average of all, it would mean that a certain proportion of those people, a certain proportion of those dairy farmers, were not getting their costs. An average means that there is some above and some below. Those under that average would not be getting their costs of production. Now, if they be eliminated and the average of those remaining be taken as a new basis for the future price, it would eliminate still others. In other words, that a farmer can't live on the average wage; he must live on his wage. So that is one of the problems and it is not an easy one for this commission to consider; that if you find the average costs, how far that average cost will cause milk to be produced in the quantities it has in the past, because so many of the dairy farmers are producing milk at above the average cost.

THE CHAIRMAN: Does Mr. Miller suggest the regulating of the price according to the locality?

MR. MILLER: Oh, no, Doctor. I do not want to suggest that for a moment, except as to the freight rates.

MR. STEVENS: May I ask a question right there?

MR. MILLER: Certainly.

MR. STEVENS: Or would you prefer that I wait until you are through?

MR. MILLER: Just as well now.

MR. STEVENS: Is there any evidence that the cost of production is any less in Orange county than it is in St. Lawrence or Erie county?

MR. MILLER: I don't think there is. I don't recall any.

MR. STEVENS: How would you fix the price, then, to the producer of milk, a uniform price per hundred pounds, throughout the state?

MR. MILLER: Yes, except as varied by the freight rates.

MR. STEVENS: Well, why varied by the freight rates; how is it possible to do that under the mandate as it reads?

MR. MILLER:. Well, that is one of the problems which this Commission will have to wrestle with.

MR. STEVENS: Freight has nothing to do with

the cost of production.

MR. MILLER: That is a custom.

MR. STEVENS: Well, I know it is a custom. The question which presents itself to this Commission is, is it going to obey this mandate as it is put out?

MR. MILLER: Yes.

MR. STEVENS: And you have argued that it should in certain particulars. I want to know if you would go the whole figure. It says that the cost of production of St. Lawrence county is $4 a hundred pounds, and in Orange county it is $4 a hundred pounds, it should be $4 to the producer. It does not take into account freight rates at all.

What authority has the Commission to vary on account of freight rates? There is a variation in the schedule which you submit of 39 cents per hundred pounds.

MR. MILLER: Yes.

MR. STEVENS: What authority have they to give the farmer in Orange county more than the cost of production, or what authority have they to give the farmer in St. Lawrence county or Jefferson county less than the cost of production.

MR. MILLER: In reply I will say that we are not asking that that be done.

MR. STEVENS: I know, but it is not a question of what you ask but it is a question of what they are commanded to do.

MR. MILLER: I think that the mandate is very

clear.

MR. STEVENS: Well, the mandate is that you cannot in fixing the cost of production, in addition to a reasonable profit, take into account at all the freight rates; isn't that so?

MR. MILLER: That would be the literal interpretation of it.

MR. STEVENS: Is there any other interpretation of it than the literal one?

MR. MILLER: I do not know of any.

MR. STEVENS: What authority has the Commission to depart from the terms of the mandate in that particular?

MR. MILLER: None, unless the Commission take this view: That the basic things that Mr. Hoover had in view, and that the parties to the contract which resulted in the appointment of this Commission had in view, was that the price should be based upon the cost of production plus a reasonable profit, and did not then, nor did this warrant of authority, discuss all of the collateral issues which necessarily would be raised.

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MR. STEVENS: Well, that is not a collateral issue, Judge.

MR. MILLER: Perhaps it would have been wise to have done that. Custom, however, has been to vary the prices in accordance with the distances from the city. Now, I take it that that is not so important to the farmers perhaps as it is to the distributors.

MR. STEVENS: But, let me present another point right here, and when you are through Iwill present some further questions; but the custom has been and is at the present time that the farmer should not receive the cost of production plus a reasonable profit in the winter, for the winter months, buthis reasonable profit -- and the cost of production has been based on the average per year, and it makes a very decided difference. You are charging the custom in that respect by this mandate very decidedly, because this commission is directed to fix the cost of production plus a reasonable profit in the months of December, January, February and March.

MR. MILLER: Exactly.

MR. STEVENS: Now, the custom has never been to get that in that way, and everybody has been satisfied to have it that way, that they should not lose money, but that they should not make money in December.

MR. MILLER: And by everybody do you include the farmers?

MR. STEVENS: I do most emphatically. They have assented to these various prices. Perhaps they could not help it, but they have agreed to it. The prices in the city, the price that the farmer receives is ultimately fixed by what the consumer will pay for it; the price in the city has been a uniform price throughout the year. That has been the evidence, has it not? That is unless there is a raise, but they did not drop in the summer to the consumer nor raise it in the winter?

MR. MILLER: I am afraid I am not getting your meaning very clear. Will you please ask me the questions you want me to answer?

MR. STEVENS: Well, perhaps I better wait until you are through. Perhaps you will cover it. I ought not to have interrupted.

MR. MILLER: No, it is all right, Mr. Stevens.

MR. STEVENS: Well, you see, the point is right here. You see there has been a custom in the trade, in the business, to change the price in accordance with the distance from the city as to adjust the price, make it an equal price to the producer ~~in order~~ when it arrived at New York City. That has been the custom. You admit that that is not in the mandate?

MR. MILLER: Absolutely.

MR. STEVENS: The question presented is can the custom change the power of this commission?

MR. MILLER: We are not asking that it should.

MR. STEVENS: That answers my question, then. I better stop the discussion right there.

THE CHAIRMAN: Mr. Miller, will you elucidate two points for my personal benefit, at least. Supposing we establish a base price at New York city -- just to illustrate. Now, would not the price paid an Orange County farmer minus the freight rate be less or greater than the price paid the St. Lawrence farmer minus the freight rate, orin other words, does not this difference due to freight automatically take care of itself, because that is deducted, the freight rate is deducted from the base price?

MR. MILLER: That would be true, Doctor, if the price was fixed as of New York.

THE CHAIRMAN: Well, I assume that for illustration.

MR. MILLER: I see. Unquestionably.

THE CHAIRMAN: Now, another point. Would in your judgment the producers of milk be satisfied for this commission, acting under its mandate, as we may be obliged to do, to create a greater difference in price between summer and winter than has previously prevailed?

MR. MILLER: Well, Doctor, I feel that is without the scope of my authority, to say what would satisfy the farmers. I can only discuss this case under the warrant of authority issued to the Commission and the evidence in the case. I would be very glad, of course, at any time to express a personal opinion, but that would be of no interest to this Commission, I take it.

And as committing the farmers to any definite question of that character, I feel that it would be without the scope of my authority and without the scope of any attorney's authority who appears in cases of this character.

I would therefore be reluctant to assume that responsibility, which I feel is without the scope of my authority.

MR. STEVENS: I would like to ask another question, Judge, which will assist me in grappling with the situation. I understand from your brief, which I have only had an opportunity to glance at cursorily, and that you figure out that the cost of production of milk to the farmers is substantially 9 cents per quart; am I right in that?

MR. MILLER: I have not computed it by quarts.

MR. STEVENS: Well, those are the figures as I understand them.

MR. MILLER: Well, the figures are per hundred.

MR. STEVENS: Well, you translate it into

quarts and I get it at 9 cents.

MR. MILLER: Possibly.

THE CHAIRMAN: As applied to what grade of milk?

MR. MILLER: That would be for 3.8 milk.

MR. STEVENS: 3 per cent?

MR. MILLER: No, I think not, Mr. Stevens. According to my figures on that it is 3.22 per hundred for 3 per cent milk, for 3.8 milk the New York cost is $3.54, which would make the December cost $4.24, and in January $4.21.

I would think that that would be -- it would not be quite 9 cents a quart, but it would be very near it.

MR. STEVENS: How would you have the Commission fix the price for the producers, in hundred pounds?

MR. MILLER: Per hundred pounds; yes sir.

MR. STEVENS: On the 3 per cent basis what price would you have them fix for the producer on the 3 per cent basis of butterfat per hundred pounds? What is your contention in that regard?

MR. MILLER: I don't know that it would be really pertinent or material for me to name a price that I think should be fixed, but --

MR. STEVENS: Well, what does the other man want, in your judgment?

MR. MILLER: Just to say what the evidence shows --

MR. STEVENS: That is all I am asking, what you

claim from the evidence.

MR. MILLER: . (Continuing) -- would be that the price for December for 3 per cent milk should be $3.87 per hundred and for January $3.83 a hundred, and those prices paid in a territory where the milk is produced.

MR. STEVENS: That makes a uniform price throughout the state?

MR. MILLER: That would be.

MR. STEVENS: Yes.

MR. MILLER: I am speaking more particularly of the bulk, where the bulk of the milk is produced, if the Commission --

MR. STEVENS: $3.87 for December and $3.83 for January.

MR. MILLER: For January, yes.

MR. STEVENS: For three per cent milk.

MR. MILLER: For three per cent milk.

That --

MR. STEVENS: And then increase it to 4 cents every tenth?

MR. MILLER: Four cents every tent, and the average means 3.8, and adding 32 cents for the 8 points of butter fat would make the December price $4.24 per 100.

MR. STEVENS: And the January 4.21?

MR. MILLER: January, 4.21.

MR. STEVENS: Well, that is what I understood. And that without any reference whatsoever to the freight rate?

MR. MILLER: Yes, sir.

MR. STEVENS: That is all.

COMMISSIONER WILLIAMS: May I ask if the hundred pounds should be divided by forty or forty-seven?

THE CHAIRMAN: By forty-seven.

MR. STEVENS: Some figuring, Mr. Williams, is on a slightly different basis. That forty-seven, as I understand it, makes the weight of the quart of milk two and twelve.

MR. SCHOEN: 2 and 2-1/2.

MR. STEVENS: Yes. Well, a good deal of the figuring had been indulged in on the basis of 2.15.

COMMISSIONER WILLIAMS: 47 is a fair figure.

MR. STEVENS: What is that?

COMMISSIONER WILLIAMS: 47 is a fair figure?

MR. STEVENS: I do not know. Dr. Jordan says so and I am not tempted to contradict him in the slightest, but most of the commissioners say 2.15. I do not know what the evidence is.

THE CHAIRMAN: There was introduced into the evidence that 40-quart can of milk.

MR. STEVENS: And the weight is 45 pounds for a can.

COMMISSIONER WILLIAMS: If you just divide that by 40 you get 2-1/8 pounds for the quart of milk.

MR. STEVENS: Yes, well, there is some other evidence that warrants 2.15, and all of the distributors, as I understood it, made their computations on the basis of 2.15.

THE CHAIRMAN: Well, is there any other evidence than custom?

MR. STEVSN: Custom? Why, there is no evidence about the custom of it. I do not suppose the custom makes a difference. There is a conflicting custom here; it makes a slight difference, I do not know as it is of any partocular importance, however.

THE CHAIRMAN: If we get down to fine figures like that we will cover it.

MR. STEVENS: Well, it is a question of profits merely.

MR. MILLER: Taking up again the question that Mr. Stevens raised as to the same price being fixed regardles of freight rates all over the state, if that plan is adopted it will make it necessary of course for this Commission to figure out forty or fifty different prices.

Now, as representing the producers, I will say this:

That I believe they would be satisfied with the price fixed as a reasonable price, based on the costs of production plus a reasonable profit, be fixed at a point, say 300 miles from New York. That would be probably about the weighed center of the milk area. And then for the prices -- and the prices to be adjusted by the freight rates, they to receive that there. That would result in the more remote ones receiving a little less and those nearer receiving a little more, as the freight rates would be more or less.

I want to take up briefly with the Commission, in our computation we valued silage at $8 a ton. Hay, of course, should be charged to milk at its market price, for the reasons stated by Professor Warren. The reasons given by him are unanswerable. I have quoted his reasons in my brief.

Silage, however, is not such a finished article and marketable article that it can be said that it had a market price; therefore we must refer to the evidence as to the cost of producing it. Several witnesses testified that it

cost them $8 a ton to produce it; they did not, however, have accounts which they had kept step by step while they were producing it. Three witnesses did, and it is upon the evidence of those three witnesses that the cost of production of silage must be based. The first was Professor Warren who testified that in the year 1916 it cost $5.72 a ton to produce silage, and that this year it had cost much more, but he did not have the data to tell us how much more. That data, however, is supplied by the next witness, who is Mr. Bruce.

Now, Mr. Bruce kept accurate accounts. You will find in the brief that I had cited the page where his evidence is found. In 1916 it cost him $5.19 a ton to produce silage, or 53 cents less per ton than the average cost of production mentioned by Professor Warren, showing that Mr. Bruce was a reasonably efficient silage producer.

Now, as against the 1916 cost of $5.19 a ton, it cost him this year $8.39 a ton to produce silage by accurate accounts kept by him.

The third witness is Mr. Runkle, whose statement is filed here by the letter to which I referred earlier in the day. Mr. Runkle in that statement made his costs of producing silage $6.84 a ton for this year. He stated in his letter, however, which is sworn to, that he had figured man labor too low, and he also stated that it would cost the stright body of farmers much more, or more, to

produce silage, than it did him, for the reason that he used a tractor in plowing, in fitting his land, in drawing the corn, but he did not in his letter state how much he computed the man labor too low or how much more it would cost the general run of farmers who did not use the tractor

Now, in the brief I have filed I have estimated only, and you will find that on the next to the last page of my brief. I have estimated from his former testimony how much more it wo ld cost the average farmer who did not use a tractor -- and bear in mind, gentlemen, tractors, very few use them anyhow, they are so expensive. Mr. Bruce shows that his, which he bought nearly new, cost him $654.00. They are not in general use. But in his former statement he showed that it cost him only half as much to plough his land with his tractor as it did with his team, and with that for a basis I computed how much more it would cost the ordinary farmer on the next to the last page in my brief, and I made it that it would cost the ordinary farmer $1.75 a ton more, which would make it $8.15 a ton based on his figures. He corrects me, however, in the letter that he sent this morning, and he substitutes team labor for tractor labor, and he makes such cost to the great run of farmers at $8.132 per ton -- in this letter which you have not yet seen, but which is offered in evidence earlier in the day.

So that the only three witnesses who have kept accurate accounts of the production of silage agree that this year it cost them more than $8.00 a ton to produce the silage, so that we think it is the basis at which we have charged silage, at $8.00 per ton, that is a fair one.

Now, Mr. Chairman, so far as the farmer is con-

oerned, we feel like saying this:

We have come here as plain country farmers, we are ignorant of the labainthic subterraniac channels, both physical and political, of the great city. We have come here and laid our cards on the table, here is our whole case. If there is anything more you want from us, let us know. We have nothing to keep back. We have not any expert accounts to go through our accounts, but here is th evidence of the Agricultural College men whonhave made years of study as to the production of milk and the costs thereof; here is the evidence of the individual farmers who testified as to their costs. Thewarrant of authority to this commission is to fix a price based on those costs.

Probably half a million people back over the hills and the valleys of this State are looking anxiously to this commission for a decision; more than a hundred thousand dairymen and their families are replying upon them and looking anxiously for this. They welcome the opportunity to place before an impartial commission, with authority, and with authority clearly defined -- it is what we have been looking for anxiously

There have been investigations made as to the costs of milk production that have not been satisfactory to the farmers, that they had no standing before such Commission. They had no standing before then to introduce their own witnesses and prove their own case in a manner in which they thought it should be developed. Before this Commission they have.

We believe that if the decision of this Commission makes it necessary to raise the price to the consumer in the city that the very fact that a commission appointed, a commission of the standing of this Commission, has found that necessary, would have a soothing and quieting effect upon the people in the city, that they are willing to pay a fair price, they are willing to pay a just price. All the farmers ask is a chance to live.

We feel that for years and years past the prices paid to the farmers for the producing of milk have been so low that they have received nothing like a living wage. The dairy farmer has been for years -- and I do not want to use extravagant language, because I always recognize the fact that no just cause can be helped by extravagant language, but I want to say to you that the investigations and the evidence before this Commission shows that the dairy farmer is one of the most under-paid laborers in the state. I wish this Commission had time to go through the rural sections, the dairy sections of the county, and see

how these farmers live and how they work. You will find men and women in middle life who ought to be standing erect broken and crippled with toil. You find them working from 5 o'clock in the morning until 8 o'clock at night. You find just as Mr. Nichols told you up at Watertown, how he is trying to educate his 16-year old boy, and how that boy would get up at 5 o'clock in the morning and help with his chores and get his breakfast, and at 8 o'clock take the team with the milk and drive to town, deliver the milk at the receiving station, and then go to school, put the team under a shed there in town. He would go to school, and at 4 o'clock he would leave the school, take the team, get the empty cans and go back home, and he would assist his father with the chores until about 8 o'clock, and then would study in the evening to keep up with his classes.

Why, that is typical, it is not exceptional. I disagree most heartily with the suggestion that was made somewhere along through this investigation, that a living price, that a fair price to the farmers for the milk won't help these conditions. Give us a reasonable and fair price for the milk and we can hire men. Granted that it is not so easy to get them on the farm. The farm laborer must work seven days a week and so must the farmer. Therefore, the laborers will naturally go to employments where they have to work only six days a week; but with a price so that the farmer can compete, we believe we can solve the labor problem for the farmer.

MR. STEVENS: Judge, with your permission, I would like to get your views on one or two questions here, and perhaps more; but it seems to me it would be of ver great importance and absolutely indispensable that they be discussed before any decision of this commission can be reached. Are you willing that I should do so?

MR. MILLER: Certainly.

MR. STEVENS: Yes. The mandate of the commission in this case provides, as you have stated, that the price of the milk to the producer shall be fixed at the cost of production plus a reasonable profit. It also provides that the sumfor distribution shall be the actual cost including freight rates, plus a reasonable profit. Have you gone into the question at all upon the evidence as to what would be the cost of distribution?

MR. MILLER: Not sufficiently to express an opinion.

MR. STEVENS: Well, under the custom which has prevailed for supplying fluid milk to New York City, the distributor purchases the entire product of the farmer for a given period of time, does he not -- speaking generally?

MR. MILLER: Yes.

MR. STEVENS: That is essential to the conduct of his business in order to insure a supply, is it not?

MR. MILLER: I suppose so.

MR. STEVENS: Well, does it strike your mind that it is so?

MR. MILLER: Yes.

MR. STEVENS: On the other hand, it is impossible for him to sell milk by the quantity in that way, is it not, in the city?

MR. MILLER: I don't know as to that.

MR. STEVENS: Well, do you suppose that the people would contract for a season, for so many quarts of milk for a day? Take it absolutely, would they do that, or would the contract be worth much to many people that sell in the city?

MR. MILLER: I know very little about the distribution of milk in the city, but I take it the inference you draw would be the natural inference.

MR. STEVENS: Yes. Well, now, in the past that method of doing business has given rise to this question of surplus milk, has it not? By surplus meaning the excess of fluid milk with the distributor has over the quantity which he can sell in the market before it will spoil ?

MR. MILLER: The question of surplus milk, Mr. Stevens, is vague in my mind under the evidence here, which is very scant as to when and what the amount of surplus is.

MR. STEVENS: Well, conceding that they may be so, if surplus milk does occur, that is to say, if the

distributor buys a hundred quartsof milk and can sell only 98 of it on a given day, the two extra quarts would either spoint on his hands or he must convert them into something else, must he not?

MR. MILLER: That would follow.

MR. STEVENS: Well, what would you have the distributor do with those two quarts of milk, the surplus, whenever it occurs during the year?

MR. MILLER: Why, I think he would use it to the best possible advantage.

MR. STEVENS: Well, what would be the best possible advantage?

MR. MILLER: I don't know.

MR. STEVENS: Well, he would either have to make milk products out of it, either butter or cheese or casein, or condensed milk.

MR. MILLER: I take it that way, yes.

MR. STEVENS: And can that situation be disregarded entirely by this commission, this problem o surplus milk, in fixing what is the cost of production?

MR. MILLER: My answer to that is, Mr. Stevens, that it should be absolutely disregarded so far as fixing a price to the farmers. It should be considered in fixing the price of the distributors as incidental to the cost of distribution.

MR. STEVENS: Well, then its cost is to be fixed

at that . The farmer has nothing to do with it but the consumer has.

MR. MILLER: Yes, sir.

MR. STEVENS: Then it is before the commission in that way?

MR. MILLER: Oh, certainly.

MR. STEVENS: Well, I thought perhaps your remarks led to the condlusion that it should be disregarded; I did not see how --

MR. MILLER: As to the farmers.

MR. STEVENS: Well, as to the farmers. But it cannot be disregarded in fixing the price to the consumer.

MR. MILLER: I don't think it fairly could be.

MR. STEVENS: Now, upon your figures of $4.24 per 100, $4.21 per 100 for -- if my figures are correct, that means 9 cents a quart practically to the farmer. If the farmer, leaving out this question of freight rate entirely, received 9 cents a quart, would it not or would it inevitably produce an increase in the retail price of milk in the city of New York?

MR. MILLER: I don't know.

MR. STEVENS: Well, do you think that the milk for which the farmer received 9 cents could be transported to the city and pasteurized and distributed for an expense, wholesale and retail, of 2 cents a quart?
It is now sold, dipped milk, at 11 cents.

MR. MILLER: The only informtion I have as to the costs of distribution Mr. Stevens, is what has been produced before this commission; that is most information, and that is equally available to you and to me.

MR. STEVENS: Well, I am leading up to another point. It is quiteavailable and it is entirely certain in my view of the evidence that if the commission obeys the mandate which is put before it upon the evidence, that the price to the consumer has got to be raised in this city, at least for dipped milk, to 13 cents, and for milk in bottles at least 16 cents. I am speaking those figures roughly, of course, for the mere purpose of naming some figure. Now, what effect will it have upon the farmer if Grade "B" milk bottled is raised to 16 cents in this city, considering that the ~~xxxxxxxxxxxx~~ consumption has fallen off 20 per cent already in raising it to fourteen cents? I mean immediate effect during the winter?

MR. MILLER: My mind refuses to grasp the situation that there will be a permanent decreaae in consumption of milk if milk is sold at a reasonable price based upon the costs of production and distribution, and if the milk at such price is as cheap and palatable a form of animal fats as can be gotten elsewhere.

MR. STEVENS: Well, that involves the element of time, but during the months of January, February and March

of next year, if the price to the consumer of Grade "B" milk in bottles should be put at 16 cents, what effect would it have in your judgment upon the consumption of milk in this city?

MR. MILLER: Oh, that would be, of course, largely an estimate. It seems tobe the general opinion of the witnesses in the case that it would decrease the consumption.

MR. STEVENS: Well, how would that affect the farmer, that is all I am getting to. How would it affect your clients in this case, who have the milk to sell, the cows to produce it and the equipment to produce it?

MR. MILLER: I believe that nothing could be more injuricus to the dairy farmers whom I represent than to fix a price on any other basis than that of costs plus a reasonable profit to both producers and consumers, that if you attempt to base the price on any other conditions or any other theories, it will only lead to confusion.

MR. STEVENS: Very likely, but what will it do to put it upon that theory, fix the price at 16 cents -- to the farmer; I am not speaking of the distributors, they will have their day in court on that question later on.

MR. MILLER: Yes.

MR. STEVENS: What effect will it have on your people if it is done?

MR. MILLER: You mean the decreased consumption?

MR. STEVENS: The decreased consumption of milk.

MR. MILLER: I don't know.

MR. STEVENS: Well, isn't it a pretty important question?

MR. MILLER: It is an important question, but

as we say we view that question from a different angle than you do. That is clear.

MR. STEVENS: No, I don't think you do.

MR. MILLER: For this reason, which I have already stated: That it would be an economic policy for this Commission to attempt to fix any prices to consumer based upon anything else than costs of production and distribution.

MR. STEVENS: Very likely. I am not arguing that at all. We are confronted with a condition, not a theory -- to use the expression which is not altogether original with me -- that this Commission is asked to change in more ways than one the entire custom of doing business of distributing fluid milk in the city of New York.

MR. MILLER: Well, what is your suggestion, Mr. Stevens, as to what should be done?

MR. STEVENS: I have not any at present.

MR. MILLER: But you are asking the rest of us to give suggestions.

MR. STEVENS: I am trying to get them.

MR. MILLER: So am I.

MR. STEVENS: Because at present I wish to say, for the benefit of everybody within the hearing of my voice, that I am prepared to say that the Commission cannot make a rational, intelligent, economic [illegible] decision under the mandate conferring their power at the present time.

If anybody can discover the way out I would like to have them do it. I would like to be shown I am wrong, I would like such a suggestion. I threw it out several times last week.

COMMISSIONER WILLIAMS: Mr. Chairman, I, for one member of the committee was not here, but I do not quite get the point that Mr. Stevens is making.

MR. STEVENS: I will make it later in quite detail, Mr. Williams, when the time comes.

THE CHAIRMAN: I think Mr. Stevens will make that clear to you.

MR. MILLER: I think I understand, Mr. Stevens.

MR. STEVENS: Yes.

COMMISSIONER WILLIAMS: May I ask one question? I would like to ask Mr. Stevens if the point he makes is that the Commission was instructed to determine the cost of milk, of producing milk, plus a reasonable profit, a fair profit for the months of January, February and March, and if that is the point he is now making?

MR. STEVENS: I am taking the whole situation.

COMMISSIONER WILLIAMS: In other words, is it because we segregate these three months from the year as a whole?

MR. STEVENS: That is a part of the problem.

COMMISSIONER WILLIAMS: And if it is that you do that, the cost plus a reasonable profit for those three

months, may not accord with the practice in the past for the purchase of milk, the purchase price of milk, which has been a weighted price, ranged so as to encourage winter production.

MR. STEVENS: That is a part of the situation. It could not be explained in a word. I put the proposition up to some of the witnesses last week. I think if you had been here you would have seen the precise point I have in mind, but I will explain it very fully later.

THE CHAIRMAN: I think we will make that very clear when discussions in executive session take place, Mr. Williams.

MR. STEVENS: You advanced the proposition, Judge Miller, that there was a serious injury to the farmers in not getting their pay from the distributors. I do not think anybody would argue that very strongly, but if the price were fixed so that the distributors would go into bankruptcy, would or would not that affect the farmers with regard to the milk for which the distributors are owing the farmers at the present time.

MR. MILLER: My interpretation of the warrant of authority to this Commission is to avoid the bankruptcy of the distributors.

MR. STEVENS: But if the distributors have got a contract for a hundred gallons of milk a day from the farmers, and the price is fixed so that the consumption

will drop to 75 gallons a day, then 25 gallons surplus there, what are they going to do with it? They cannot make it into butter or cheese at the prices you ask, nor any other known product, can they?

MR. MILLER: Not even condensed milk?

MR. STEVENS: Not even condensed milk.

MR. MILLER: Of course there is a matter of evidence here as to the profit on condensed milk. The general opinion is, however --

MR. STEVENS: How many of these distributors are equipped to manufacture condensed milk?

MR. MILLER: I don't know.

MR. STEVENS: The Bordens are certainly; they handle about 25 per cent of the fluid milk.

MR. MILLER: Yes, I think other distributors are too.

MR. STEVENS: There are some others, I understand.

MR. MILLER: There are others who condense, but not in all sections.

MR. STEVENS: Yes, but it is not practicable. I think you will admit that butter and cheese would be manufactured at a loss if the price of 9 cents a quart came in, would it not?

MR. MILLER: I think so.

MR. STEVENS: Very large loss, wouldn't it?

MR. MILLER: I don't know how large; it would be a substantial loss.

MR. STEVENS: Then if these distributors have any surplus which they pay 9 cents for, it will not take long for them to go into bankruptcy if they try to manufactu any butter and cheese, would it not?

MR. MILLER: I don't know how long it would take them; it would depend on how much profit they were making on the fluid milk, if they sold it at the same time.

MR. STEVENS: Suppose the fluid milk is confined to a reasonable profit, which is a fraction of a cent. They concede that -- this is the Sheffield said 3/8 of a cent would be a reasonable profit and the Borden company said half a cent, on a quart of milk.

MR. MILLER: I have already stated, Mr. Stevens that I believe which the evidence shows would result in the manufacture of milk is very properly for the consideration of this commission as incidental to the costs of distribution.

MR. STEVENS: Yes, I know, but I am calling your attention to the collateral results which will flow, may flow from obeying this mandate as it is given here.

MR. MILLER: My mind cannot assent to the proposition that in the winter months of January, February and March there can under any circumstances likely to occur be such a surplus of market milk that the loss in

its manufacture will be great enough to materially influence the general result.

MR. STEVENS: Well, now, let me call your attention to just one proposition. According to the evidence and outside information the consumption of milk has decreased at least twenty per cent. in this city for no reason that is apparent except the decrease in prices. Right there, is there any evidence to show how much consumption of condensed milk has inceased?

MR. STEVENS: No, there has been none whatever.

MR. MILLER: My information is that it has decreased.

MR. STEVENS: Now, if it should be reduced 20 % again in consequence of a decrease in price, what would happen to the farmer and distributor?

MR. MILLER: I think I must decline to prophesy what would happen under conditions which I don't think possibly can occur.

MR. STEVENS: Well, the distributor has testified, all these distributors, that there is plenty of milk at the present time. By "plenty" they mean sufficient to supply the consumers. Now, suppose, the reduction should occur of 20% again, what would happen?

MR. MILLER: Well, my information is that in the country many of the dealers are looking for more milk.

MR. STEVENS: Well, I will not press the point further if you don't care to answer it. Do you expect

the price to be reduced next June to the farmers from the December price?

MR. MILLER: I would expect the price to the farmer to be the then costs of production plus a reasonable profit, and the cost of producing milk in June is always very much less than in December.

MR. STEVENS: Well, then the farmers would expect naturally and inevitably a less price than $4.24 per 100 in June.

MR. MILLER: Oh, absolutely so.

MR. STEVENS: Yes.

MR. MILLER: And assuming that feeds and labor continue at present values I can tell you very closely what that price would be.

MR. STEVENS: Then if the same principle were to be applied to the distributors, they would have to reduce the price to the consumer at that time, would they not, otherwise they would reap an excessive profit?

MR. MILLER: That might be so.

MR. MILLER: That might be so.

MR. STEVENS: Well, isn't it mathematically so, that if the distributors pay less for milk in June than they do in December, they must, upon the basis of being recouped for their expenses and reasonable profit, sell the milk at a less profit?

MR. MILLER: I think that is a self-evident proposition.

MR. STEVENS: Yes. How many times a year do you expect a change in the price paid the farmers? Twice a year, or once every month, practically?

MR. MILLER: A change to the farmers?

MR. STEVENS: A change to the farmers; would you have a change made every month, or once in six months, or once in three months, depending upon the cost of production?

MR. MILLER: Why, really, I don't know that I am qualified to pass on that. My answer would be my own personal impression.

MR. STEVENS: Well, that is what I am asking for.

MR. MILLER: That would be that the price be fixed monthly, upon the costs as they then were. That does not mean that a contract must in all cases be only for one month, but that the price would vary in accordance with the cost of production.

MR. STEVENS: Very well; that would affect -- every time you effected a change in the price paid the

farmer, that would affect a corresponding change in the price to the consumer, would it not?

MR. MILLER: I take it that way.

MR. STEVENS: Yes.

MR. MILLER: Unless the distributors weighted it and averaged it.

MR. STEVENS: Well, that is a question, whether they can or not; but how would you arrange the price to the consumer on that basis of changing it every month?

MR. MILLER: That is beyond my province. I do not know anything about it, about the distributing end of the business. I can catch the force of your thought, but I do not know that I would be qualified to say how that can be done.

MR. STEVENS: Well, isn't it plainly apparent that any action by this Commission is going to entirely revolutionize, necessarily, the methods that have heretofore prevailed in the distribution of fluid milk in this city? Can it be avoided?

MR. MILLER: Do you mean in the matter of prices?

MR. STEVENS: Matter of prices and methods of doing business, the whole basis of doing business.

MR. MILLER: Why, I hardly think so. I do not believe that the distributors thought so, or they would not have agreed to this, as they did in Washington.

MR. STEVENS: They may not have thought the

proposition out.

MR. MILLER: Possibly.

MR. STEVENS: I do not think they did.

MR. MILLER: Mr. Chadwick was there, and you know he thinks a good ways ahead.

MR. STEVENS: Very likely, but you see, hind-sight is a great deal better than foresight sometimes, and we get the hind-sight of it.

MR. MILLER: Yes. Were you waiting for me?

MR. STEVENS: No, I have no further questions to ask. I wanted to get your views as to how these changes, which will inevitably occur, are going to affect the farmers.

MR. MILLER: Changes in prices?

MR. STEVENS: Changes in the method of doing business and the change in prices.

MR. MILLER: I do not see that there would be any particular change in the method of doing business for the farmer. The only change that I anticipate will come, that it is now possible that he will get a living price for his milk, which he has not had before.

MR. STEVENS: Well, it comes back to the question, whether you are to adjust these matters monthly or yearly. They have been adjusting them heretofore on a yearly basis. You are proposing now to adjust them on a monthly basis. Now, it can't be done unless the distributor can adjust his business accordingly.

MR. MILLER: If you mean, Mr. Stevens, by adjusting upon a yearly basis heretofore and not now -- if you mean by that that the price for December and January is to be fixed, ignoring the annual costs, I will say that my thought is that annual costs should be considered; and then that the price for December and January should be as much as is necessary, above the annual cost; and the prices for June and the summer months be as much lower as they have been in the past; and the past experience has been shown by this table of percentages as how much --

MR. STEVENS: (Interrupting) Well, that is not the position that you have taken on your brief.

MR. MILLER: Oh, yes.

MR. STEVENS: I do not so understand it.

MR. MILLER: Oh, yes. If you will turn to the --

MR. STEVENS: (Interrupting) You have fixed the price on your brief for the December milk and the January milk.

MR. MILLER: Yes, but you see how I have done it; I have taken the annual cost first, which is $3.22 a hundred for 3 per cent milk.

COMMISSIONER SCHIFF: Mr. Chairman, may I ask a point on that, for my own information?

THE CHAIRMAN: Certainly.

COMMISSIONER SCHIFF: You are assuming a certain price for grain, hay, silage, and so forth?

MR. MILLER: Yes.

COMMISSIONER SCHIFF: How do those compare with present prices? Do you assume those as annual prices? You assume $20 a ton for hay. What is the present price for hay?

MR. MILLER: The price, under the evidence, I think, is $20.

COMMISSIONER SCHIFF: Yes, but why is that an annual price? It happens to be the price in December. I do not quite get in my own mind where Judge Miller gets his price of $3.13 for an annual price, when as a basis for it he assumes December prices of material.

Now, labor was not annually 30 cents an hour for this year. May I be permitted to suggest -- haven't you gone somewhat wrong on your argument there in that? You have taken as a basis for an annual price, existing prices, and you are arbitrarily making 120 per cent of that for the December price.

MR. MILLER: The only alternative, Mr. Schiff, to doing that, would be to take the evidence before this Commission, as to the farmers, as to the actual present costs, which would bring the costs much greater than the method I have adopted.

COMMISSIONER SCHIFF: Pardon me, sir; I do not wish to get into any argument, but I wish to clear my mind. If I am cofrect in assuming that the arbitrary prices you

have adopted for hay, grain, silage and other feed, and labor, are the existing prices today, why does not the result give your estimate of December price for milk?

MR. MILLER: The explanation, Mr. Schiff, would -- I could not state it in a sentence; it would be rather a labored explanation; but the final result, I believe, to be accurate, the way that I have. We are simply trying to find the exact costs for December and January, based upon present prices.

Now, we must do that either by first finding the annual costs and then giving the usual increase for the winter months, or we must take -- this Commission must take, I take it, the evidence of the farmers, those few that were sworn, as to what it was actually costing them.

COMMISSIONER SCHIFF: Pardon me, but have you taken -- what I am trying to get at is just for information. Have you taken the average cost of hay, for instance, for the year 1917, or have you taken the December prices of hay?

MR. MILLER: We have taken the December prices.

COMMISSIONER SCHIFF: Why is it then justifiable to take an arbitrary increase to arrive at what you call the real December price?

MR. MILLER: Because that is necessary to find the present cost of production.

COMMISSIONER WILLIAMS: Mr. Cahirman, I wanted to ask Judge Miller --

THE CHAIRMAN: Mr. Stevens, have you completed your questions?

MR. STEVENS: Yes.

COMMISSIONER WILLIAMS: I wanted to ask some questions along the line of Mr. Schiff's, but in a little different form. Judge Miller gives us as the annual cost, average, substantially $3.18 a hundred pounds.

MR. MILLER: $3.22 for 3 per cent milk.

COMMISSIONER WILLIAMS: Well, yes, I have both in mind; I am taking the figure now which is the average of the ten farms, the ten illustrations. The pages are not numbered, Judge, but it is in the addenda.

MR. MILLER: Yes, I have it.

COMMISSIONER WILLIAMS: $3.18; $3.22.

MR. MILLER: The evidence of the ten farmers would bring it $3.18.

COMMISSIONER WILLIAMS: The difference is not very great, and I am not making any point there.

MR. MILLER: No.

COMMISSIONER WILLIAMS: I notice you have also quoted Professor Warren, assuming grain $60 a ton, hay $20, dry forage $12, and silage $8. Now, in the first place, Mr. Chairman, I would like to ask if I am justified in assuming that in the annual cost, only as much grain has been taken into consideration as is consumed by the cow through the year; that is to say the grain feeding, which lasts, say,

six or seven months, and then the grass feeding, which lasts the remainder of the year, and so on all through; or has this grain price been multiplied by twelve months?

MR. MILLER: I am afraid I do not grasp your meaning, Mr. Williams?

COMMISSIONER WILLIAMS: At the farmers' hearings it was shown that the costs of maintaining a cow in the winter months was, I think, three times or four times as great as in the summer months. I am right in that, am I not?

MR. MILLER: . The evidence shows that it costs much more, yes.

COMMISSIONER WILLIAMS: Much more. Now, the point I am making is, have you taken the grain fed twelve months through the year? Have you used that as your basis, twelve months grain feeding, or the actual grain feeding and the actual pasture feeding?

MR. MILLER: These are the actual amounts fed to the cow during the year to produce one hundred pounds of milk.

COMMISSIONER WILLIAMS: Yes.

MR. MILLER: The actual amounts fed.

COMMISSIONER WILLIAMS: In other words, you have not taken the November and December costs and multiplied it by twelve?

MR. MILLER: Oh, no sir; the actual amounts fed.

COMMISSIONER WILLIAMS: Yes.

MR. MILLER: And it is surprising, Mr. Williams, that when this difference -- it would appear at first blush that there is a wide variation in the cost of production, and there is some; but when all of the figures of the different witnesses are reduced to a common basis of butterfat, namely a 3 per cent basis, it is surprising how uniform their costs are.

Now, let me refer you to Professor Warren's testimony, which I have digested on the first page of the supplement -- I am sorry it is not paged itself -- the supplement of my brief; that after eliminating certain New York counties which he thought should be eliminated because they were exceptional, he finds that the cost of producing 3 per cent milk is $3.22.

Now, Professor Pearson, of Illinois, assuming the same prices for grain and labor, makes it $3.24. In other words, that the cows, no matter where they are situated, in Illinois or New York, eat almost a uniform quantity of food per one hundred pounds of milk produced.

COMMISSIONER WILLIAMS: Yes, I have noticed that.

MR. MILLER: Of a certain butterfat basis; so that it brings it back.

Now, you see, there is only 2 cents difference in their computations as to the cost per hundred. Now, Professor Musser, of Connecticut, makes it, for the selected

herds which they had, with which his experiments were made, took $3.16; but the cost for the average herd is 59 cents more, ~~xxxx~~ or $3.75; and that being 3.7 milk brings his down to $3.47, or about 23 cents or 24 cents more than Professor Warren.

Well, I think it is acknowledged that it costs a little more in Connecticut as a rule. And Professor App, in New Jersey -- theirs is 3.2 per cent milk -- brings it down to $3.14. So that you check up one by the other and reduce them to a common butterfat basis, and they are quite uniform.

COMMISSIONER WILLIAMS: I have been struck by that result, which is about 7 cents a quart on the farm, on the average.

MR. MILLER: Bear in mind that that is for 3 per cent milk.

COMMISSIONER WILLIAMS: Yes, I know.

MR. MILLER: Now, the average milk is 3.8 per cent milk?

COMMISSIONER WILLIAMS: I understand that; that is for 3 per cent milk.

Now, the next question I want to come to, is this: These figures are based upon market costs.

MR. MILLER: Market costs of feed and labor.

COMMISSIONER WILLIAMS: Market prices of feed and hay.

MR. MILLER: Yes sir, and labor.

COMMISSIONER WILLIAMS: And these other things.

MR. MILLER: Yes.

COMMISSIONER WILLIAMS: I assume that these are the prices at the station.

MR. MILLER: Of feeds?

COMMISSIONER WILLIAMS: Of feeds. They must be hauled by the farmer.

MR. MILLER: Yes, I think so.

COMMISSIONER WILLIAMS: There is a slight difference there. Now, is it entirely fair, in an analyis of this kind -- and I speak without, of course, any prejudice in the matter-- is it entirely fair in making up the farmers' costs to give them other farmers' costs for producing feeds plus intermediate handling, plus intermediate selling, plus intermediate transportation and brokerage and the other elements of cost that enter in, as differentials between the original producing price on another man's farm and the delivery on the consumer's farm, allowing him that price for his own produce in the manufacture of milk?

MR. MILLER: In answer to that, Mr. Williams, I will say so far as you refer to concentrates, the grain feeds that are furnished the cows, the amount of those that are home grown is so small as to be negligible. Prof. Warren testified that about four -- I will not be positive now as to his testimony, but we can prove it; but as I recall it, it was only four to five per cent. of the total amount of concentrates fed to cows throughout the State that are home grown.

COMMISSIONER WILLIAMS: Well, that may be true of conoentrates, but it is not true of hay.

MR. MILLER: Yes. Now, taking it with hay; hay largely is home-grown. Some dairy farmers must buy. Otherws sometimes sell. Hay is a completely finished produot. It is ready for market and

readily marketable; and it always has a market price. It can be sold in the city or country; it can be sold and fed to horses, to sheep and to cows. If that hay is then used in the production of another product on the same farm, it must be charged as a part of the cost on that second product at its market price, else it will be dive rted to the other use. Now, as an illustration, the Federal government in fixing the costs of producing pork have not fixed the price of pork by the cost of the farmer who raises the pork, produces the corn, but have charged up as again the pork the market value of that corn; and we can see that that must be so. If the farmer could get more for his grain, selling it in other form, than he could feeding it to the hogs, he would do it. So, with us with our hay. If we could get more for our hay in selling it as hay for other purposes, we would not feed it to our dairy cows.

COMMISSIONER WILLIAMS: This is the way it appeals to me. I may be taking a wrong economic point of view. Here is the farmer-- in the first place, as I recall the evidence, it is very largely based upon which I would call a maximum of stall feeding; and the entire result is based upon practically a hundred per cent of purchased feeds, the price taken is a little above the market price of last week, which I think was $50.00 or $60.00 -- $54.00. In any event, I will not speak about that; but it correct to

assume on behalf of the farmers, and on whose behalf, I think we should assume all that is possible; I think they have not had enough in the past; but is it fair to give them the full market profit on their feeds which are raised on their own farms plus all of these intermediate things which come into the cost, when these feeds are delivered to them from market sources -- give them 11 the profit that the other farmer makes on his hay when he is only in the hay business, and so on all through this feeding list, and then another profit on the milk? Isn't that a pyramiding of profits which really works to the detriment of the consumer unfairly?

MR. MILLER: No, I do not think, so, Mr. Williams, for the reasons that I have already stated. I do not know how much profit there is in producing hay. I do not know that there is any evidence before the commission as to that, but assuming that there is a profit, the farmer has his choice of disposing of that hay in either one of two different ways. He will naturally dispose of it in the way most profitable to him. Therefore, if it is more profitable for him to sell the hay than it is to feed it to his dairy cows, he will simply dispose of his cows -- which he can't do now very readily for beef purposes; it is a very exceptional time now; it is a good time for the dairy farmer to get out from under his whole milk business; his way of escape is the best he has had for years now, because the

price of feed is so high -- and they are being slaughtered. This letter that was offered in evidence this morning shows that there is a sale every day in the week except Sunday in that locality, of dairy cows.

THE CHAIRMAN: Will Mr. Williams permit me to put in a word of explanation?

COMMISSIONER WILLIAMS: Yes.

THE CHAIRMAN: We raised this question, and it is a moot question, has been, whether what a farmer raises should be charg d at what it costs him to produce it or at what he could sell it for. It is difficult thing to determine what it costs to produce the various things on the farm. I put that question up to Prof. Warren, provided a farmer receives what he could sell his crops for, and also an interest on investment, and a proper allowance for depreciation, what effect does that have upon what we shall consider as profit on the milk? And Prof. Warren's answer was this: That if that is done, then the farmer should receive as profit what his managerial ability is worth; in other words, he should receive his profit.

COMMISSIONER WILLIAMS: Well, Mr. Chairman, it is perfectly true; but we now havebefore us a brief, which on behalf of the farmers reaches a conclusion; and of course, the farmers will accept that brief as probably unanimously representing their point of view. All I am

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doing is not raising any question which is covered in the minutes, but rather raising this question, whether Judge Miller in submitting a final brief, perhaps would not take into consideration such an important item as feed, which is the largest percentage of the total cost.

THE CHAIRMAN: That is about 80%?

COMMISSIONER WILLIAMS: You take the hay market, which I have been following this year carefully. It began at $12.00 a ton market price, and yetvwe have here what is practically the highest market price of hay in the country today, that is $20.00 a ton; and we have used that as an average figure in this cost of production. Now, the real question I am raising is, whether, perhaps, taking these things into consideration — because I feel convinced the farmers want to be as fair to the people at large as they want the people to be fair to them -- that is, each side is trying to reach a fair result -- whether the Judge himself might not take into considerating this rising and falling market — not the peak of the market, but take into consideration all these intermediates which the farmer would not get any way, such as freight and brokerage and hauling, which are not fair parts of the cost of feeds raised upon the farm, and perhaps modify that figure, taking those elements of cost — it is really whether the figure of 7 cents a quart there is a fair figure as an annual cost to present on behalf of the farmers.

MR. MILLER: Mr. Williams, in replying to that, I will say that at $20.00 a ton we have not included any freight or brokerage charges. The evidence that has been produced before this commission shows that it is worth that in the bale, in the mow, in the dairy farmer's barn, selling at cost, in some places $21.00. In New Jersey the evidence is $24.00. So that it brings us back to the basic question, should it be charged at what it costs the farmers to produce that hay, which is one side of the question, or should it charged as a factor in milk production at what it would sell on the market?

Now, permit me to read to you Prof Warren's answer to that question: (Reading)

"A completely finished product that is ready for market, readily marketable, when it enters into the production of a sedond product, should be charged at what it would sell for on the market. Hay is a standard salable product in New York, one of our important products of the farm. It may be sold for the city market, fed to horses, sheep and cows. It is as completely finished as milk. In determining whether to feed it or not, the farmers take in consideration the terms of price for which they can sell. The corn illustration is perhaps as good as any. The Food Administration has recognized that the price of hogs is dependent in no way on the cost of producing corn, but on the value of the corn. The farmer will not feed corn to

hogs unless he can obtain a profit on the operation, because corn is a finished marketable product, readily marketable."

Now, the same is true as to hay. The farmers will not -- or let me use a stronger term-- they cannot feed this hay to cowa unless they can get as much for it in feeding it to the cows as they can to sell it on the market.

COMMISSIONER WILLIAMS: Mr. Chairman, I think my point has been a little bit missed. I do not want to take much time.

MR. STEVENS: May I make a further suggestion? When the farmers in this case have stood upon the price at which they could sell their hay, they have not introduced into their computations any return whatsoever upon the capital invested in the land upon which the hay was produced.

MR. MILLER: Yes.

MR. STEVENS: If they were to be cut out of selling, if they were to be relegated to the cost of hay in that cost, there would have to be figured return on the land used in producing the hay, of course.

COMMISSIONER WILLIAMS: Well, my point, Mr. Chairman, in regard to hay -- I have two points now; the first one is, whether it is fair to charge the peak price of the year in this annual computation for all the hay fed to the

Hay began at $12.00 a ton in the early part of last October, and not $20.00, which was the highest price I have heard mentioned in connection with the farm. Then the city price for hay, as I understand it, is the price based upon baled hay, which includes transportation and baling; and I have been told baling and transportation add about $5.00 a ton. I feel there is something that you and Mr. Stevens said, that to unduly raise the price of milk is going to limit the output at these prices in the city. There seems to be no question but that New York City today is using about 500,000 quarts of milk less than it used a year ago; and many have attributed that change to the increased cost. Now, the real question I am raising is, whether the Judge -- and I know he would not do it knowingly -- has not introduced into this report certain basic elements of cost which should not be there in fairness and really in the interests of the farmer, as that one, hay at $20.00 for all the hay fed to the cow; and as I say, $60.00, which is a little above the average for the market at the past -- well, very much above the market for the past three months; and then a figure which represents other elements than any farmer ever gets out of corn when he raises it himself.

MR. MILLER: If Mr. Williams, we were now fixing the price for the past year or past six months' milk, I should agree with you fully it should be based only upon

what it then actually cost; but to fix present costs we must of necessity use present values.

COMMISSIONER SCHIFF: Pardon me; just there you come back to what I suggested. After fixing prices on present costs, you then multiply by an arbitrary figure of 120, which is Prof. Warren's figure for December as against the average annual cost.

THE CHAIRMAN: I beg your pardon; that is the yearly cost.

MR. MILLER: That is the yearly cost.

COMMISSIONER SCHIFF: That is what I still must emphasize; I cannot see, from a plain business man's standpoint. You have established your cost based on the December prices, and then you multiply by an arb itrary which an experience of years has shown December exceeds the average annual cost. Now, what I should like, Mr. Chairman, to have submitted, if we might, for my own personal satisfaction if for no other -- I should like to have these figures supplemented by a monthly price of these different elements when used. There is no use of having the price of hay, when not used, or grain, to find out what the average for the year 1917 has been on these basic figures; because that average established and multiplied by 120 would give me the December price.

THE CHAIRMAN: I do not know whether I can clear that up in Mr. Schiff's mind or not; but we are

acting under a mandate which tells us to determine the cost of milk under present conditions.

Now, in order to get a basis for calculation, the farmers were asked to present a yearly account, basing the cost upon present prices of feed, -- what would the yearly cost have been at the prices of feed, present prices, maintained throughout the year? That being determined, then there is applied to that yearly cost the factor of the increased price as shown by a good many years, for December.

COMMISSIONER SCHIFF: Pardon me saying so, Mr. Chairman, but I think the premises are unsound.

MR. MILLER: Mr. Schiff, might I just explain this to you?

COMMISSIONER HEPBURN: If you take the big month of the year and apply an average, that would reduce that.

COMMISSIONER SHEDRICK: Mr. Schiff, I think I know what you mean; when does the farmer's year begin?

COMMISSIONER SCHIFF: No sir. Here we have figures submitted to us showing the cost of producing a hundred pounds of milk, based on December prices and the highest prices of the materials which enter into it, and the highest cost of labor. Why is the result of that not the December cost of milk? Why must it be multiplied by 120?

THE CHAIRMAN: We have these facts before us.

COMMISSIONER HEPBURN: It seems to me Mr. Schiff is perfectly right.

MR. MILLER: May I explain that just a little further?

COMMISSIONER SCHIFF: Yes.

MR. MILLER: The explanation of that is simple if we once grasp the principle upon which these annual costs are established. While it is true that they are not based upon present values, they are not based upon the quantities consumed in December.

Now, for instance, if you will turn to the evidence of the witnesses, you will find that these annual prices are based upon a cow consuming 35 pounds of grain for a hundred pounds of milk; but if you will turn to the tables to show the amount of grain that they consumed for a hundred pounds of milk in December, you will find it is 43 pounds. It also takes less labor in the summer to produce milk, because the labor and the feed is less in summer; but these are the annual costs; these are the averages of the annual costs, including less labor in summer, less feed consumed in summer than in winter. You could reach the same result, approximately, by taking the costs for the month of December alone, and I would be glad to prepare that for you gentlemen, if you would like to have it, and file it with the Commission, if I can get the time, to show that the amount of grain consumed in December is more than this annual cost is based on. The amount of labor is more, the amount of hay is more, because in the summer the cow eats but little or

no hay. But the general rule adopted by the Departments of Agriculture of all the states has been -- because milk is a yearly business and not a monthly business, and gives -- there are certain periods of the year when the cow is dry and giving no milk.

COMMISSIONER SCHIFF: We are not asked to fix a yearly price; we are asked to fix a monthly price. Our mandate does not permit us to fix a yearly price.

MR. STEVENS: Let me ask you a question right there.

MR. MILLER: Yes.

MR. STEVENS: I understood you, when I was asking you questions, to state that the price for December should be based on the actual cost in December; the actual cost of production.

MR. MILLER: Yes.

MR. STEVENS: So that disposes of all this argument.

Let me ask you another question. Obviously that disposes of the whole question that is being considered, if that is your position, because allocating the cost of December to the whole year would make an excellent distribution.

MR. MILLER: No, but that is what we think is the fairest method to find the December cost.

MR. STEVENS: Yes, but you have stated here, if

I understood you correctly, that in making the determination in the summer for the price of December milk and January milk, the Commission should base it on the actual cost of those two months. Did I understand you correctly?

MR. MILLER: Let me explain that?

MR. STEVENS: I want to put you another question first.

MR. MILLER: Go ahead.

MR. STEVENS: What evidence is there before this Commission upon which you can fix the price at the present time for the months of January, February and March, the price which they are to fix now? Suppose they should fix a price of 7 cents a quart to the producer for the months of December and January, is there any evidence before the Commission by which they can say that that should be the price for the months of February and March, or will they have to wait and take more evidence on that subject?

MR. MILLER: I think, Mr. Stevens, that the fair way --

MR. STEVENS: (Interrupting) Well, is there any evidence --

MR. MILLER: (Interrupting) I will answer your question before I get through -- that the fair way to all of the parties is to find the annual costs, and then have the price for the winter months sufficiently above that annual cost, and the price for summer milk sufficiently

below that annual cost, as has been done in the past, so as to produce a uniform supply.

Now, the evidence, the exact evidence as to the cost of producing milk for November, which presumably might be a little more for December, would bring it to $4.28 a hundred for 3 per cent milk, in accordance with the evidence of the witnesses here.

Now, I believe that that, for 3 per cent milk, is too high a price, although that was the cost of these eight farmers who were sworn as to November prices. I would think it would be fair and equitable to establish this annaul price which the Department of Agriculture men always have done; they take into consideration that more grain is fed in the winter than in the summer; that it takes more labor in the winter than in the summer, and more hay, so that the annual costs include the decreased amount in the summer as well as the indreased in the winter; and based upon that the experience of the past ten years, Professor Warren testified -- and in fact he said that practically for forty-seven years, it needed just those adjustments in prices which are represented here by that table of percentage, to cover the difference in cost between winter and summer.

COMMISSIONER SCHIFF: In the Department of Agriculture to which you refer, in establishing those annual prices do they use as the factors entering into it the highest price paid at any time during the year for feed or for labor or for any other element, or the average prices paid during the year.

MR. MILLER: I take it that in making up their exact records, they use the price as it actually is, and if were fixing a priceonly for today, for the 26th of December, why, we would of course do the same.

COMMISSIONER SCHIFF: You have taken the top price of the year. Why, on your very argument, should not that be taken at the average price for the year? If hay is $12.00 and is now $20.00, why shouldn't it be averaged? If labor was 15 cents and is now 30 cents, why should not that be averaged, and then apply the factor of extra cost for December?

MR. MILLER: I think that would be true as to the quantities, that we should take the exact quantities that they consume throughout the year, the quantities fed, that the cow consumes, the number of hours of labor throughout the year.

COMMISSIONER SCHIFF: That is what you have done?

MR. MILLER: Exactly; but the prices must be brought up to date, else we are not reaching an accurate conclusion

MR. STEVENS: I want to call attention to the fact that he did not answer my question regarding the months of February or March, or allude to them even. I asked you is there anything here by which this commission can fix on any basis which has been discussed, the price for February and March.

MR. MILLER: Absolutely, yes.

MR. STEVENS: Well, tell me.

MR. MILLER: Simply this table of percentages which has been offered in evidence. We have established the annual cost at $3.22 a hundred for three per cent. milk. This table of percentages which has been offered in evidence, which is simply an expression of the experience of former years as to the costs in the different months, fixes the price for January, February and March.

COMMISSIONER SCHOEN: Mr. Miller, I think you can clear the situation up for the commission very much by supplying to the commission that other average sheet that you said you would be glad to supply, the actual amount of feed, the actual amount of labor and so forth expended on these cattle during the month of November or December, whichever month you have taken, and then not apply any weighted average to it, but the actual cost of those things.

MR. MILLER: Well, I am afraid that that will make your costs higher than these do, but I will be very glad to furnish it to you.

COMMISSIONER SCHOEN: That is the only thing Mr. Schiff has in hismind and I think if you got that out of his mind you will do a good deal.

COMMISSIONER SCHEDRI'K: What I want to ask Judge Miller is this: It is a very simple question, perhaps so simple as to seem rather foolish, but do the distributors -- for instance, they have been through a period of summer and are now going through a period of winter. That is correct, isn't it? Supposing we assume they have made a certain amount of profit, on the percentage table which you present. Now, if we allowed them, arguing from their side, if we allowed them the profit which our warrant of authority gives us, or states that we shall, a reasonable profit plus the exact cost of distributing milk in these months, and they have made money during the balance of the year on this percentage of sort of recouping in the summer and losing in the winter, won't they be making more money than they should?

MR. MILLER: Who, the distributors?

COMMISSIONER SHEDRICK: Yes, if they were based that way.

MR. MILLER: I think they would be making more than they should, certainly.

COMMISSIONER SHEDRICK: If that is true, why isn't that just as true with the farmer?

MR. MILLER: Because he has never yet seen the time, for many years past, when he was making a profit in the summer.

COMMISSIONER SHEDRICK: The point that I get here is this: If you had submitted to the Commission the actual costs as shown by the books of these farmers for the year 1917, up to date, then you present a table with the worked out costs for the winter, because it is assumed they have made the profit just the same as the dealers made the profit; isn't that true?

MR. MILLER: No, that is not the assumption and it is not the fact. They have made no profit; they have made a loss.

COMMISSIONER SHEDRICK: It might be the same thing.

COMMISSIONER WILLIAMS: Mr. Chairman, I think we have been disposed to accept these theories of weighted prices simply to encourage the production of milk in the winter, when, were it not for the weighted prices, milk would

be produced in larger quantities in summer and smaller quantities in winter; but I would like to urge upon the Judge, in a sense of fairness, that these figures which he has taken as the basis of his final cost, which average 7 cents for the year as a whole, that he do consider this question of the farm price, the farm cost of feed, and not the market cost, at least to such extent as it may in the average used in that way, and that he do take the average and not the high cost of both labor and of these other elements of costs such as hay and grain.

Now, silage at $8 a ton, for example; whereas, I am informed that the cost of silage, a fairly high figure is between $3 and $4, the cost to the farmer; and it has not market price, because you can't shift it, and it is simply figured. Now, that silage item is taken in its ratio to the high price of hay, as I understand it.

MR. MILLER: Mr. Williams, can I ask you a question, please?

COMMISSIONER WILLIAMS: Surely.

MR. MILLER: What assurance have you that the silage this year cost $4 a ton to produce?

COMMISSIONER WILLIAMS: I have some very careful figures upon a very large farm in the neighborhood of Saratoga, carefully compared figures, in which the silage cost $3.

MR. MILLER: Well, there has been nothing like that offered in evidence here.

COMMISSIONER WILLIAMS: No.

MR. MILLER: And I am sure our people would all be glad to do it.

COMMISSIONER WILLIAMS: Mr. Chairman, I draw the Judge's attention to this: I understand silage, as such, has no market value, can't be moved from place to place; it is a local product, and that this figure has been reached by estimating the value of silage in reference to the volume of hay that it substitutes.

MR. MILLER: No, Mr. Williams; based upon actual cost of production. We have proven it by witnesses.

COMMISSIONER WILLIAMS: Well, we had witnesses in the hearing who estimated the cost of silage at $4.00 and $5.00 a ton. You take it here at $8.00.

MR. MILLER: The cost of producing silage, you will find commenced on the next to the past page of the brief that I have filed, the evidence in the case on the cost of production of silage; and all of them make it more than $8.00 a ton.

COMMISSIONER MITCHELL: May I ask a question?

MR. MILLER: Certainly, Mr. Mitchell.

COMMISSIONER MITCHELL: If a farmer purchased his hay in October at $12.00 a ton or $15.00 a ton, and fed it in December, would that be charged in your estimates at $10.00 a ton?

MR. MILLER: To ascertain the present cost of

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production? I should think so, Mr. Mitchell.

COMMISSIONER MITCHELL: I mean for the purpose of determing the cost of producing milk. Hay or let us take the concentrates; if they were purchased three months ago at $46.00 a ton, should they now be charged in the cost — and fed, say, in December, should they be charged at $56.00 a ton?

MR. MILLER: Yes, I think so, for the same reason. If conditions were reversed, if the farmers buy now, as they have to buy sometimes, for weeks in advance, if they should buy now at $60.00, and feeds would go down to $45.00, then all that we would be justified in charging as a factor of milk production would be the $45.00, what he could go out and buy them for. And if they have gone up, he should charge them on the same basis, I should think.

COMMISSIONER MITCHELL: Let us see how we can do that. If hay brought in October $15.00 is charged as an item of cost now at $20.00, because that is its market value; and the concentrates, which were cheaper three or four months ago, are now charged at the market value; now, if they fell in January or in March, the price of hay or the price of concentrates, of course then the price of producing milk would fall.

MR. MILLER: Yes, sir.

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COMMISSIONER MITCHELL: And we have no means of determining what the price of milk should be to the farmer for January or March, because on the theory that all these feeds are to be charged in at the market price in December, even though they were bought by the farmer in October; then by the same process of reasoning the price of cattle feeds on January or February must be used as the basis of determining the cost of milk to the farmer in those months. You have to reason it all the way through on the same basis.

MR. MILLER: Yes, sir.

COMMISSIONER MITCHELL: And yet this commission can't sit continually to determine what the price of milk is to be from month to month.

COMMISSIONER FULLER: That is what I think we ought to do; that is my original contention. We ought not to fix it for more than one month.

MR. STEVENS: You have stated that taking the table and figuring out for February and March the same as December and January -- what table did you refer to?

MR. MILLER: I referred to the table which you will find in the Country Gentleman which you have before you, which is offered in evidence on page -- it is not numbered, but it is the next to the last page.

MR. STEVENS: Yes. Well, that is the per cent of yearly average price paid for milk, is it not?

MR. MILLER: I think you will have to refer to Professor Warren, who is the compiler of that table, to get the exact basis of it, as I understand it; that it is simply an expression -- that table is the expression of the experience of the past years.

MR. STEVENS: Well, doesn't that table relate to prices paid for milk, and not to the cost of production?

MR. MILLER: I think it refers to the cost of production?

MR. STEVENS: Well, now, I understood it differently; and I asked the question to bring it out, that it refers absolutely to prices of milk. There is the past comparative prices in different months in the twenty-six trade zones in New York for ten years ending December 1, 1916, as follows: January, and so forth.

Now, that speaks of prices and not cost of production at all.

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MR. MILLER: Well, the assumption of Professor Warren being that the prices during the past ten years in forty-seven years would vary with the cost of production.

MR. STEVENS: But the evidence is that it does not, that the farmers have made no money in December and January, even at these prices. If they made anything at all they made it in May or June. Now, that is the evidence in this case; and when I asked you what there was by which we could determine the price for February or March, or the Commission could do so, I did not understand that that relates to anything but prices, the price paid, and has no relation whatsoever to cost of production during those months, or the relation to cost of production.

MR. MILLER: I think if you look at Professor Warren's testimony you will find that table is based on the cost of production.

MR. STEVENS: I wish you would look it up tonight and let us know tomorrow.

COMMISSIONER WILLIAMS: It is based on the cost of production, with certain bases used by Professor Warren as you have used them in your brief.

MR. MILLER: Yes.

COMMISSIONER WILLIAMS: In other words, the cost of production would vary if you had a different base. If you change the $54 grain, the $34 labor and the $12 for silage, and things of that sort, then the result would be

changed somewhat.

MR. MILLER: Certainly.

COMMISSIONER SCHOEN: Wouldn't you summarize, Mr. Miller, in very much this fashion: That although the Commission has been called upon to determine through evidence the cost of milk production during the month of November and December, as a matter of fact all the figures and all the evidence that has been given to us by the farmers has not gone at it in that way at all, but has taken hypothetical cases as to the cost of feeds at a certain given time, and not the cost of feeds which they actually had to pay, as to the cost of various other articles, hypothetical and not actual; and that although you have explained that that was the only way which you could get a fair price for milk costs in December, as a matter of fact we have not got any actual figures at all anywhere in the evidence.

MR. MILLER: For the cost in December?

COMMISSIONER SCHOEN: Yes.

MR. MILLER: We have for November.

Of course, we could not prove future costs.

COMMISSIONER SCHOEN: Actual costs?

MR. MILLER: Actual costs. You will find actual costs for November on the third page from the last in the brief, which makes the cost for 3% milk $4.28 a hundred; but I say to you I think that is too high for 3% per cent milk, that the annual table would be nearer right.

COMMISSIONER WILLIAMS: Did you take into that table all the farmers' testimony in the case?

MR. MILLER: All that testified, I think, as to the November milk; not all of them did.

COMMISSIONER WILLIAMS: If I recall, one or two had abnormally highcosts in that month, due to the conditions of the herds.

MR. MILLER: I think this was all the witnesses that testified to November prices; I intended to include them all.

COMMISSIONER SCHOEN: You say these were actual costs during November? As a matter of fact, unless I am much mistaken, I do not think they were.

THE CHAIRMAN: May I suggest, we are now discussing matters in a way that would be more efficiently done in our executive session. We are really now getting into a discussion of what we shall decide. If you have asked all the information from Mr. Miller, I think we had better adjourn this discussion to our executive session.

COMMISSIONER SCHOEN: Mr. Chairman, may I just have one word on this? I do not think it would be fair to Mr. Miller that we should listen to all the evidence which he has to give us and then decide that he has not given us any evidence in an executive session. I think the only fair way to Mr. Miller and the people he represents, is to let him know the things that are traveling around in our mind, and give him an opportunity to present such other evidence as he may, before we arrive at a decision, so that the decision shall be based somewhat upon the facts as we would like to have them, and not as we have received them. Now, to continue then, if I may, Mr. Chairman; during the month of November these various farmers did not figure the cost of hay as they produced it, but the cost of hay that they could get on the market.

MR. MILLER: That is true.

COMMISSIONER SCHOEN: They did not figure the cost of silage as they produced it, but they figured the cost of what the silage would be worth as a food product, you see, because on the market --

MR. MILLER: (Interrupting) On silage I think they figured on the cost of production.

THE CHAIRMAN: You are mistaken about that, Mr. Schoen; that was on the cost of production, relative cost of food value.

COMMISSIONER SCHOEN: Yes.

MR. MILLER: But the prices were brought up to date, and our thought was that that was the only method of approving present cost of production.

COMMISSIONER SCHOEN: Yes, and as a matter of fact they were purely hypothetical costs.

MR. MILLER: Well, I would not just put them under the hypothetical class; it is simply reducing them to present values.

COMMISSIONER SCHOEN: Well, they are not actual costs; they are what might be actual costs under certain conditions.

MR. MILLER: Yes, it was the actual cost for November if there had been no change in prices, whether there had been or not. There probably had been a little change.

MR. STEVENS: Mr. Alger, have you anything more?

MR. ALGER: Yes.

COMMISSIONER BORNW: There was one question I wanted to ask Mr. Miller. Mr. Miller suggested he would like to have the base price of milk based at the center of production, say, in the 300-mile zone. Is that correct?

MR. MILLER: Yes; that whatever price the Commission finds should be paid the farmer should be paid to him as near as they could, where the milk was produced, the center where the bulk of the milk comes from.

COMMISSIONER BORNW: What are you going to do with

those farmers who are between that point and the city? Are you going to give them the benefit of the freight differential?

MR. MILLER: That would necessarily follow, if the Commission followed the freight differentials as they have been followed in the past.

COMMISSIONER BBBWN: Well, what is the difference between putting them in the nearby zone and adding the freight differential for the benefit of the far away man -- subtracting the freight differential?

MR. MILLER: Absolutely no difference; if the price was fixed at $3.50 a hundred, and the freight rate out to where the bulk of the milk comes from was 40 cents, why, if the price was fixed at $3.90 here and subtracted the freight rate of 40 cents would leave them the $3.50 there; but if you fix the price of $3.50 here in New York, if that was found to be the cost of production plus a reasonable profit, then the men who had to pay 40 cents a hundred to get his milk transported, of course, would not be receiving his cost.

COMMISSIONER BROWN: As a matter of fact, there would be no difference, practically, between the one point and the other, would there? The present custom follows the one practice, the practice of putting your cost at nearby points sufficiently high to justify your man at a far away point in producing milk.

MR. MILLER: I think that the price, the base price which the farmers fixed for 3 per cent milk for October, and follows for December, was $3.10, which you will find on the schedule of prices as the price 150 to 160 miles from New York.

COMMISSIONER BORNW: $3.10?

MR. MILLER: $3.10, yes.

COMMISSIONER BROWN: Yes. Well then, under the present practice, may I ask, is the farmer within the 60 mile zone, which is about the closest place that milk comes from, given the same price of $3.10, or is he given an added price?

MR. MILLER: By this schedule he is given an added price of 8 cents, equivalent to the difference in freight, $3.18.

COMMISSIONER BROWN: This makes no idifference where you place your price, as long as you place it high enough.

MR. MILLER: Of course, it would make this difference; the price based upon the cost of production plus the reasonable profit, should be the price paid to the farmer where he produces it.

COMMISSIONER BROWN: Well, then isn't a reasonable profit to a far away point an unreasonable profit at a near-by point?

MR. MILLER: Possibly that might be.

THE CHAIRMAN: Do you argue, Mr. Miller, that the farmer at a large distance from the central market should undergo no disadvantages because of his distance?

MR. MILLER: No, I would not; but I think the freight differential takes care of itself, takes care of that distance, Doctor; that the land, as we approach the city is more valuable. Frequently, or sometimes, taxes may be higher. There are reasons that may operate the other way, so that the price paid to the nearby milk producer might not be more than a reasonable profit, while it might still continue to be only a reasonable profit to the more remote producer.

THE CHAIRMAN: Are there any other questions?

MR. STEVENS: Mr. Alger has some more evidence at this time. Perhaps we had better suspend for that purpose.

MR. ALGER: Before I put Mr. Waugh on the stand, Mr. Nathans, have you prepared a schedule on the basis of Borden's figures for average butter fat test, showing

the prices paid to producers and charged consumers, with the diffential from 1914 on to the present time?

MR. NATHANS: Yes,sir, understanding that was the request of the commission.

MR. ALGER: Yes; I will offer that in evidence.

(Received in evidence and marked Exhibit 46, of this date.)

G E O R G E M. W A U G H, JR , recalled, was examined and testified as follows:

BY MR. ALGER:

Q Mr. Waugh, have you prepared certain data which Mr. Stevens asked for the other day from the Borden Farm Products Company? A A good deal of it, yes; not all.

Q Just tell us what you have, Mr. Waugh? A First I have a comparison of the cost per quart for the branch expense in the Metropolitan district, compared with Greater New York City alone.

Q In other words, you have separated out the outlying districts not covered by New York City? A Yes.

Q And given a statement showing what the relative expense is in the outlying district not included in New York City? A Yes.

MR. ALGER: I will offer that in evidence.

(Received in evidence and marked Exhibit No. 47, of this date.)

Q May I ask in passing, just to put it on the record, what the difference is on the total costs between the total metropolitan district and New York City district? A Do you want the difference?

Q Just the difference. Which is the greater? This is your total Metropolitan district that you have down here of cost. A Yes, $.03207.

Q And the Greater New York City? A $.03537.

Q In other words, your costs are greater in Greater New York than they are in your total metropolitan district, including Greater New York? A Yes.

Q That total metropolitan district you have got there includes Greater New York? A Yes, that was the figure that I submitted before.

THE CHAIRMAN: What do you mean by metropolitan district?

MR. ALGER: Borden Farm Products Company carried, in addition to New York City, certain outlying territory in New Jersey, some in Connecticut; and I am now getting from Mr. Waugh a separate statement showing the cost in Greater New York City including these outlying districts.

Q It shows a difference of greater costs for the outlying district, for New York, as compared with the outlying district, of what? A $.00030.

Q What is the next exhibit you have? A Statement showing the value of boxes, bottles and cans on hand as of

October 31,1917, and the amount of annual depreciation on each sized bottle, box and can.

MR. ALGER: I will offer that in evidence.

(Received in evidence and marked Exhibit 48, of this date.)

Q You have an explanatory statement on thenbottom that I think will cover that. A Yes,sir.

Q What is the next exhibit you have here?

A The amount of depreciation on wagons charged to cost from May to November, and the rates on each sized wagon per month.

Q That shows how you figure your depreciation on these various wagons? A Yes.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 49, of this date.)

Q How long has that system of depreciation been in vogue, do you know, Mr. Waugh? A About six or seven years. There have been slight adjustments to it, but in the same part I think it is the same.

Q What is the next exhibit you have here? A An average upkeep of a horse for September and October, figured on seven of our branches only.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 50, of this date.)

Q I think this was asked of Mr. Fox, rather than of

you? A Yes.

Q What is the next exhibit you have? A A list of closed plants. I believe that was asked of Mr. Cronk.

Q Yes. Now, that gives the list of closed plants that are closed now? A Yes.

Q That were open last September or October? A I believe most of them were open last year.

Q This present year you mean, October of this present year. A Open in October of this year?

Q Yes. A No. Some of those were closed in October of this year.

Q Those are the plants that you have closed now? A Yes.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 51, of this date.)

Q What is the next you have? A List of country bottling plants equipped to pasteurize, separated between bottling Grade "A" and bottling Grade "B".

Q Yes, and the location of those plants. A Yes.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 52, of this date.)

Q Yes? A A list of plants not equipped to pasteurize.

Q And which supply milk to New York? A Yes, sir; some of those supply to other cities also.

Q In the metropolitan district? A Yes. I have here a list that just supply New York.

Q Then let us have the one that -- A I will put in this first list after and a list that are not equipped to pasteurize.

Q Which your company owns? A Yes.

MR. ALGER: I offer that in evidence.

(Received in evidence as Exhibit 53, of this date.)

Q Now, the next list you offer me, which will be Exhibit 54, is the list of plants supplying New York City? A Yes.

Q Now, what is the next exhibit that you have here? A A list of pasteurizing plants shipping cans only.

Q To New York City? A Not confined to New York City;principally New York City.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 55, of this date.)

Q By checking this up in connection with Exhibit 54, you can find what plants are supplying New York City? A Yes.

Q What is the next exhibit that you have a A A list of the city pasteurizing plants, with their present volume per day, compared with their maximum capacity.

(Received in evidence and marked Exhibit 56 ofthis date.)

Q What is the next that you have? A The actual price paid farmers for three years past, by zones.

Q That is farmers supplying New York city? A No, thatis all farmers, all farmers in the eastern district.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 57 of this date.)

Q What is the next exhibit you have? A The volume of purchases in November, 1916 and in November, 1917; also shows pounds of butter made in May, 1917 and December, 1917 as far as is available, and also shows cheese made.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 58, of this date.)

Q I am going to ask you generally regarding these figures that you have put in, Mr. Waugh; they represent the statistics of the Borden Farm Products Company and its predecessor, the Borden Condensed Milk Company? A In this department, yes.

Q Where they overlap? A Yes.

Q I see. Have you another list that you want to put in here? A That shows the average butter fat content for 12 months by months, and the average for the twelve months.

MR. ALGER: I offer that in evidence.

(Received in evidence and marked Exhibit 59, of this date.)

Q Now, have you got any more? A That is all for the time being.

Q What are the figures that you have not got, Mr. Waugh; that you could get for me by the opening of the session tomorrow? A Well, there is the investment in pasteurizing plants, a schedule showing changes in selling prices to the consumer. I believe that is all that I want to promise for tomorrow.

COMMISSIONER WILLIAMS: I want to call attention to sheet No. 3 and sheet No. 4.

MR. ALGER: These are matters which Mr. Waugh did not prepare, Mr. Williams.

COMMISSIONER WILLIAMS: Who prepared them?

MR. ALGER: Mr. Kracke. Does it relate to the Borden company?

COMMISSIONER WILLIAMS: Yes.

MR. ALGER: Let us see what it is.

COMMISSIONER WILLIAMS: On line 7 on sheet No. 3, the branch operation and maintenance for the retail service is given at $.00733.

MR. ALGER: Yes.

COMMISSIONER WILLIAMS: Which I understand is 7-1/3 mills per quart?

MR. ALGER: Yes.

COMMISSIONER WILLIAMS. Now, if we take the corresponding line on sheet 4, you have a figure there

of $.01307 for the branch operation and maintenance for wholesale service?

MR. ALGER: Yes.

COMMISSIONER WILLIAMS: I take that to be one cent and a third, practically 1-1/3 cents. Now, my question is, why should the branch operation and maintenance for the wholesale service be double, practically, that for the retail service?

MR. ALGER: Yes, both cases.

THE WITNESS: Our wholesale business in bottled goods is in its infancy, and we are at the present time conducting a service, attempting to cover the whole city, whereas the retail business has been established for a great many years.

The result is that part of the time of the wholesale men is not taken up in the actual delivery of the milk. That is, the loads go out rather scant.

COMMISSIONER WILLIAMS: But this is not delivery, this is branch operation and maintenance.

THE WITNESS: Oh, maintenance?

COMMISSIONER WILLIAMS: Yes, that is a wholly different question. I understand you have the same branches and you have the same operating forces?

THE WITNESS: We have different branches and different operating forces in the retail and wholesale, entirely different.

COMMISSIONER WILLIAMS: That is, you mean to say the same buildings are not used?

THE WITNESS: No sir, entirely different buildings. We have what we call wholesale branches and we have what we call retail branches. They are distinct and separate physically, on different streets.

Now, the same --

COMMISSIONER WILLIAMS: Pardon me just a moment.

I don't know whether I ought to ask this question of you, but why should for the same goods and the same processes separate buildings be maintained?

A Because it is the only way that we can obtain a proper cost under different classes of trade.

COMMISSIONER WILLIAMS: You mean you keep separate buildings to get a differential in cost?

THE WITNESS: Well, that is one of the objects. It is better operation, the wholesale branches operate with an entirely different class of trade than they retail does.

The demands are different.

COMMISSIONER WILLIAMS: It is the same product?

THE WITNESS: Yes, but the demands are entirely different.

COMMISSIONER WILLIAMS: Couldn't the wagon with the bottles on it for the wholesale trade go from the same delivery point as the retail trade wagon?

THE WITNESS: We did at one time do that, and we have found it to our advantage to make the change.

COMMISSIONER WILLIAMS: Is it to the customer's advantage?

THE WITNESS: Well, I --

COMMISSIONER WILLIAMS: It may be to your advantage today, a thing that is going to double your cost, but it is to the advantage of the milk delivery service as a whole?

THE WITNESS: I do not believe that that is a question that I ought to answer.

COMMISSIONER WILLIAMS: I will withdraw the question. Now, it is the same milk and it is the same bottle, but I understand your answer is that the bottle that you deliver to the wholesale trade today goes to one building, a distinct building?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: And distinct service; there is no effort to merge the two?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: The bottle to the retail service goes to an entirely different organization?

THE WITNESS: Yes sir.

COMMISSIONER WILLIAMS: If you built up, if you were to increase greatly the output of these wholesale stations, then you would reduce the unit cost greatly, would you not?

THE WITNESS: I believe it would be a great deal lower than the retail is.

COMMISSIONER WILLIAMS: If you were to merge these two stations together, even the seven mills cost would probably be reduced with the wholesale business, would it not?

THE WITNESS: Yes, but it probably would not be a correct cost of delivery of milk wholesale. If there is

a different wagon, you know --

COMMISSIONER WILLIAMS: It would be a lower cost, wouldn't it?

THE WITNESS: Probably.

MR. ALGER: Just one question there. You have a special bottle for your wholesale trade, have you not?

THE WITNESS: Yes, you mentioned that they were the same bottles. It is a different bottle, because the wholesale bottle carries a 5 cent charge with it which is refunded on the return of the bottle. That is not carried out on the retail trade.

MR. ALGER: In other words, that opportunity for fraud is eliminated by having a special bottle for your wholesale business?

THE WITNESS: Yes.

MR. ALGER: And handling your wholesale bottle in a special way.

COMMISSIONER WILLIAMS: Couldn't you handle that wholesale bottle in the same building as you could the retail?

THE WITNESS: I do not think so.

COMMISSIONER WILLIAMS: Do you mean to say that you could not handle two brands in the same building; you handle butter and milk in the same building, why couldn't you handle two kinds of bottles in the same building?

THE WITNESS: I believe that the deliveries are

made at different times of the day.

COMMISSIONER WILLIAMS: Even so.

THE WITNESS: Well, that would necessitate two trips.

COMMISSIONER WILLIAMS: Isn't it true the more you can use a given unit the lower becomes the cost?

THE WITNESS: Yes, that is true.

COMMISSIONER WILLIAMS: Isn't it right there a suggestion of economy, right within the scope of your own operations?

THE WITNESS: I am inclined to disagree with you on that point.

MR. ALGER: You are building up a new industry, that is the basis of that?

THE WITNESS: Yes, that is building up a new industry.

MR. ALGER: You explained that before.

COMMISSIONER WILLIAMS: Take Number 8 on page 3 there, you have a cost of nearly 2 cents, .01919 on the retail, and I guess the same cost for the wholesale -- it is .01423. The first item includes the selling from the wagons and the collection of money, does it not?

THE WITNESS: The 7, you mean?

MR. ALGER: The 3.01919.

COMMISSIONER WILLIAMS: Compare item A in section 8.

THE WITNESS: That includes the delivery and --

COMMISSIONER WILLIAMS: That is the total cost?

THE WITNESS: Of distribution, yes. It has no horses and wagons in there, of course. The cost of operating horses and wagons is not in that figure on line 8.

MR. ALGER: Under what figure are you, Mr. Williams?

COMMISSIONER WILLIAMS: Item 8, page 8. Take the next item, the bedding and the horses, the veterinary surgeons, and so forth, in the retail service it is .00555, meaning a little over half a cent.

Now, in the wholesale service, the same item, as I read it is 6.42 mills where the other is 5-1/2 mills.

THE WITNESS: It is higher in the wholesale.

COMMISSIONER WILLIAMS: It is higher in the wholesale?

THE WITNESS: Well, the same explanation would --

COMMISSIONER WILLIAMS: You mean you do not use the same stables or the same horses or the same veterinary surgeons?

THE WITNESS: Well, possibly the veterinary surgeons may be the same, and their actual service is charged to whatever branch it is used at.

COMMISSIONER WILLIAMS: But you have different stables?

THE WITNESS: We have different stables and

different wagons.

COMMISSIONER WILLIAMS: Well, I understood from the testimony of the president of the company the last time that some of the wagons carried wholesale and retail service.

THE WITNESS: In the surburban districts.

COMMISSIONER WILLIAMS: But not in the city?

THE WITNESS: No.

COMMISSIONER WILLIAMS: That is wholly confined to the surburban districts?

THE WITNESS: That is my understanding of it, yes

COMMISSIONER WILLIAMS: Well, I think the statements were made several times that the same wagon carri canned milk, bottled milk, butter and eggs.

THE WITNESS: On the same business, but it is wholesale business.

COMMISSIONER WILLIAMS: In other words, the retail service does not carry canned goods, the loose milk?

THE WITNESS: That is the intention, yes.

COMMISSIONER WILLIAMS: Well, what is the practice?

THE WITNESS: That is the practice.

COMMISSIONER WILLIAMS: The uniform practice in the city?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: I would just like to ask

one question further of this witness -- if there is any embarrassment about answering it do not do it, because I am not trying to catch you in any way.

This division between wholesale and retail service, having different organizations, separate structures, separate delivery systems, and separate drivers, just why is that division made? Is it because the retail plants have not capacity for it or the wholesale plants have not capacity for the retail service?

THE WITNESS: I believe the intention of that was purely for the most efficient operation. That is about all I can say about it. It enables us to follow the operations of the various classes of trade very closely, whereas when it was intermingled there were a lot of arbitrary estimates in order to spread expense.

COMMISSIONER WILLIAMS: But as a matter of fact it appears to have enormously increased in the cost per quart?

THE WITNESS: Only on this wholesale bottled business.

COMMISSIONER WILLIAMS: That is what I am talking about, -- as between the retail --

THE WITNESS: Yes, that is because it is a new branch of our business.

COMMISSIONER WILLIAMS: How long has it been running?

THE WITNESS: About the first of August.

COMMISSIONER WILLIAMS: Is that the bottle service that you deliver to the retail stores?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Where the bottle is sold for 13 cents?

THE WITNESS: Well, it is 5 cents for the bottle.

COMMISSIONER WILLIAMS: Well, I mean the grocery stores pay 13 cents?

THE WITNESS: I do not know what the grocery store charges, but it is the milk the grocer is sold in the bottle.

COMMISSIONER WILLIAMS: Does he charge 14 cents?

COMMISSIONER KITTREDGE: Yes, in some places 15 cents.

THE WITNESS: At our own stores I believe we charge a smaller price than we do for the milk delivered -- well, of course, I do not want to -- that would be a question Mr. Fox should answer. I believe we compete with the grocery stores at our own stores. That is my understanding of it.

COMMISSIONER WILLIAMS: Well, do you know whether your retail or your wholesale stations have capacity fo merge this service together?

THE WITNESS: Possibly at the present time they might.

MR. ALGER: Did you ever know a case in New York, Mr. Waugh, where such service was merged, wholesale and retail business?

THE WITNESS: We had one of our branches prior to August 1st which had quite a bit of wholesale business mixed in with the retail and it was one of the most confusing branches to analyze their operations that we ever had.

COMMISSIONER WILLIAMS: Well, it is purely a question of cost keeping?

THE WITNESS: No, cost keeping and control of operations. We base part of the control of our operations we furnish our operating men with figures that are actual cost figures and when the retail and wholesale is confused naturally his action is hampered.

COMMISSIONER WILLIAMS: Your division according to these figures adds practically a cent a quart for the milk?

THE WITNESS: Yes, but you are comparing, you might say, an infant with an old man.

COMMISSIONER WILLIAMS: Well, even so, to the individual it does not make much difference whether it is the infant or the old man, does it?

THE WITNESS: The individual does not pay any more, he pays less for the wholesale milk than he does for the retail.

COMMISSIONER WILLIAMS: I understand he pays 14

cents and carries it home and there is 5 cents on the bottle.

THE WITNESS: Well, that is not my understanding of it.

COMMISSIONER WILLIAMS: Still the consumer has to pay that cent.

THE WITNESS: The milk that is delivered to the grocery store and sold by the grocery man, the consumer gets for a smaller price than what he pays for milk delivered from our retail wagons.

COMMISSIONER WILLIAMS: Miss Kittredge says that it is 14 cents.

COMMISSIONER KITTREDGE: Well, I am taking the Sheffield Farms now.

MR. ALGER: This is Borden's, a different system entirely.

COMMISSIONER SCHOEN: I take Borden's at home and we pay 15 cents when we go to our grocer to carry the milk home ourselves, and 16 cents when it is carried to the door.

THE WITNESS: That is the fault of the grocer, not of the company.

COMMISSIONER WILLIAMS: Hasn't it been introduced in evidence what Borden's was charging the various classes of trade?

COMMISSIONER SCHOEN: They do charge the grocer 13 as compared with the consumer.

THE WITNESS: 14 cents.

COMMISSIONER SHEDRICK: . The grocer makes 2 cents.

COMMISSIONER SCHOEN: When he sells at 15.

COMMISSIONER WILLIAMS: It seems that 1 cent of that was due to the increased cost of handling, because it is the wholesale trade, and apparently there is no reason for that at the moment other than segregation and accounting.

I do not mean to put in evidence on milk, I would not be competent to do that, but this is the first time that I ever heard that you could not handle from the controlling unit --

MR. ALGER: I would like to have the Mutual-McDermitt people tell you why they failed.

COMMISSIONER WILLIAMS: I would like to hear why the Mutual-McDermitt failed, but that does not bear on this question.

MR. ALGER: I think Mr. Wyant should be recalled, or Mr. Fox.

COMMISSIONER WILLIAMS: Yes.

MR. ALGER: I think he can explain it to you very carefully. Because he is just an accountant, as I understand it, and would not know the operations. If you want Mr. Wyant tomorrow morning when you close up I will have him.

COMMISSIONER WILLIAMS: I think that is important. When you find your wholesale business station has a cost of a cent more than your retail I think that is a very important thing. There are four hundred thousand quarts, and that is four thousand dollars a day.

COMMISSIONER SHEDRICK: He ought to show also what he charges for that milk and also whether according to his figures he makes a profit or loss.

COMMISSIONER WILLIAMS: Well, whether there is a cent difference in the cost.

COMMISSIONER SHEDRICK: Is it added on the bottle retail or wholesale?

COMMISSIONER WILLIAMS: It is on the wholesale.

COMMISSIONER SHEDRICK: You want to know which way it is added?

COMMISSIONER WILLIAMS: It says on the wholesale. It is in here. In other words, the service wholesale of the Borden company is costing it, because of the method under which it is conducted, a cent more per bottle after they

buy the milk, after they get the milk in their stations, according to these figures.

COMMISSIONER SHEDRICK: I don't think so, because your figures show a loss. He does not charge his growth for the loss.

MR. ALGER: What we don't get, Mr. Williams, is who is losing the money.

COMMISSIONER WILLIAMS: Well, I do not want anybody to lose any money.

COMMISSIONER SHEDRICK: When you get that straight you will see where it is.

COMMISSIONER WILLIAMS: You do not get me at all there. I am afraid I have not made myself clear; because this business is a segregated business, this wholesale business, there are certain elements of cost — the cost of doing per bottle the wholesale business and the retail business is substantially the same. In one case it is .0384 and in the other case it is .0396. Now, when you come to consider that the retail service includes selling and collecting, the long waits on the street of the horses and wagons, and all that other thing incidental to retail service in the home, and that the Borden company finds that the cost of doing that business is almost the same as the cost of putting the bottles down in the store, where it even has not got a bottle cost, I think it is up to this commission to find out the reasons for that.

COMMISSIONER SHEDRICK: Certainly, I agree with you.

COMMISSIONER WILLIAMS: There seems to be a difference in those items there, because the business is carried on in a segregated manner.

MR. ALGER: This cash and carry customer is not paying the cent at the present time.

COMMISSIONER WILLIAMS: I beg your pardon, he must be paying it.

COMMISSIONER SHEDRICK: No, the other class of trade is paying it. In other words, the cost delivered to the grocery store is much greater than their price.

COMMISSIONER WILLIAMS: That does not follow from anything here.

COMMISSIONER SHEDRICK: No, but it does follow from the continuous evidence of Mr. Fox and Mr. Wyant, that they put inthere.

COMMISSIONER WILLIAMS: Yes, but in a class of service if they are charging the retail store thirteen cents now they could charge twelve cents. If they could get an average price all the way through it might be a saving of a cent a quart.

COMMISSIONER BROWN: Mr. Chairman, is all the evidence in?

THE CHAIRMAN: I was just going to inquire whether we have all the evidence.

COMMISSIONER WILLIAMS: It seems to me that is a very important point.

MR. ALGER: You will find on the second summary sheet that some of Mr. Williams — you will find the Borden company is suffering a loss on that.

THE CHAIRMAN: Is there any more evidence at this time?

MR. ALGER: Not at this time, no.

THE CHAIRMAN: Then I think the commission will go into executive session.

MR. BAIRD: What time are you adjourning to tomorrow?

THE CHAIRMAN: We will adjourn to ten o'clock tomorrow. We shall necessarily spend nearly all of our time tomorrow in executive session, following the arguments of the attorneys, and perhaps to make your argument, you should make it in the morning, Mr. Alger.

MR. ALGER: I suppose so.

COMMISSIONER WILLIAMS: I suppose you will have a brief to go with it?

MR. ALGER: The trouble is this: The distributors stuff has come in in great volume but slowly, and I have only got the last of my statistics in today, and I have some coming tomorrow. Now, if I prepared a brief -- I would be glad to prepare a brief, but it would necessarily delay the commission in the very short time they have. I

would like to prepare it, but Dr. Jordan thinks your time is very limited, you have your executive session, which you will have to have, and which will preclude my doing so. It is only the pressure of time that prevents my doing so.

Whereupon an adjournment was taken to December 27th, 1917, at 10 o'clock A.M., at the City Hall, New York City.

PATENT PENDING

Acme Typewriter Supply Co., N. Y.